

Department of Revenue

# Strategic Business Plan

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July 2000 - June 2007

# Introduction

The beginning of the 21<sup>st</sup> century has presented the same opportunities and challenges to the agency as it has many businesses. Opportunities abound for creative solutions to business problems. Technology advancements present opportunity for enhancing productivity and providing customers with unprecedented options and service. However, the same factors that present the greatest opportunity also present the greatest challenges. Technology changes are becoming more frequent and are creating an environment of uncertainty, continual change and higher customer expectations. In addition, management faces additional challenges from diminishing financial resources and a tight labor market.

Strategic Business Planning has historically been utilized by the agency as a tool to channel energy, resource, and commitment to agency priorities. This process has helped the agency maintain continuity, focus on the core business functions of the agency, and improve service.

As part of the Strategic Business Planning effort, the agency reaffirmed its commitment to the vision, mission, goals and cultural attributes. The vision and mission serve as the guide to continually improve services, increase the effectiveness and efficiency of operations, and meet our statutory charge as a state government agency.

Other aspects of the planning process included a review of the environment for current trends, and articulation of ongoing Department activities. Department strategies were also identified along with new initiatives that support the Department's goals. A renewed emphasis on measuring results was also incorporated into the plan as a result of ongoing emphasis on the balanced scorecard approach to performance management.

This Strategic Business Plan communicates the Department's priorities, future direction, and agency commitments. This document provides an understanding of management values, priorities, and vision of how we can best serve our customers and constituents into the 21<sup>st</sup> century.



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# Vision, Mission, Cultural Attributes and Goals

## Vision

Our vision is an environment where citizens voluntarily pay taxes, appreciate public employees, and value the services delivered.

## Mission

Our mission is to fairly and efficiently collect revenues and administer programs to fund public services, and advocate sound tax policy.

## Cultural Attributes

- ◆ Premier Agency
- ◆ Continuous Improvement
- ◆ Taxpayer-Centric
- ◆ Work Hard and Have Fun

## Goals

Make conducting business as simple as possible for our customers and employees.

Develop, recruit, retain and value a high quality, diverse workforce.

Seek efficiencies and improvements in agency programs.

Promote fairness, consistency and uniformity in the development and application of tax law and policy.

Build and strengthen relationships with our customers.

# Balanced Scorecard

## Department of Revenue

### Strategic Alignment Between Vision, Mission, Goals, Ongoing Strategies & New Initiatives

**Vision:** Our vision is an environment where citizens voluntarily pay taxes, appreciate public employees, and value the services delivered.

**Mission:** Our Mission is to fairly and efficiently collect revenues and administer programs to fund public services, and advocate sound tax policy.

**Goals:** Make Conducting Business As Simple As Possible For Customers And Employees  
 Develop, Recruit, Retain And Value A High Quality, Diverse Workforce  
 Seek Efficiencies And Improvements In Agency Programs  
 Promote Fairness, Consistency, And Uniformity In The Development And Application Of Tax Law And Policy;  
 Build And Strengthen Relationships With Our Customers

**Cultural Attributes:** premier agency, taxpayer-centric, engage in continuous improvement, and work hard and have fun

**Agency Long Range Measures Toward Vision, Mission And Goal Achievement:** 1) voluntary compliance rate, 2) cost of collections, 3) taxpayer satisfaction, and 4) employee satisfaction

|   |   | Scorecard        |                   |                    |                  |                 |  |  |
|---|---|------------------|-------------------|--------------------|------------------|-----------------|--|--|
| Goals   | Strategies  | Customer Service | Learning & Growth | Internal Processes | Financial Impact | Value & Benefit | Measures   | Initiatives  |
| Agency Goal: Make Conducting Business as Simple as Possible for Customers and Employees |   |                  |                   |                    |                  |                 |  |  |
|   | ♦ Make it easier for taxpayers to file and pay their taxes.                                       | X                |                   |                    |                  |                 | ♦ Reduce taxpayer time required to fill out their tax return<br>♦ Reduction in delinquency rate      | ♦ Electronic Filing and Payment Matching System<br>♦ Telefiling<br>♦ Combined Filing with Employment Security and Labor & Industries<br>♦ Alternative Use Tax Reporting and Payments<br>♦ Excise Tax Deduction Detail Simplification Study<br>♦ Electronic Funds Transfer for Partial Payments |
|   | ♦ Reduce taxpayer and agency administrative complications by simplifying tax laws and rules.      | X                |                   |                    | X                |                 | ♦ Reduced time<br>♦ Questions from surveys<br>♦ Reduce errors  | ♦ Dedicated Taxes Study<br>♦ Sales Tax Resale and Exemption Administration   |
|   | ♦ Identify areas where taxpayer education is needed and provide targeted outreach and assistance. | X                |                   |                    |                  |                 | ♦ Reduction in reporting errors<br>♦ Measure impact of targeted education on reported taxable income | ♦ Targeted Education   |

# Balanced Scorecard

|   |  | Scorecard        |                   |                    |                  |                 |  |  |
|---|--|------------------|-------------------|--------------------|------------------|-----------------|--|--|
| Goals   | Strategies   | Customer Service | Learning & Growth | Internal Processes | Financial Impact | Value & Benefit | Measures   | Initiatives  |
| Agency Goal: Make Conducting Business as Simple as Possible for Customers and Employees continued . . . |  |                  |                   |                    |                  |                 |  |  |
|   | ♦ Deliver enhanced service via the Internet considering security, accessibility, and cost-effectiveness. | X                |                   | X                  |                  |                 | ♦ Satisfaction determined by Internet survey<br>♦ Usage level  | ♦ Geographic Information System<br>♦ Electronic Agency Rule Files<br>♦ Interactive, Fill-in Forms<br>♦ Web Site Evaluation for Optimal Utilization<br>♦ Internet Excise Tax Database Query |
|   | ♦ Improve taxpayers' understanding of tax reporting responsibilities.                                    | X                |                   |                    |                  | X               | ♦ Reduction in error rates<br>♦ Reduction in delinquency rates<br>♦ Taxpayer satisfaction survey               | ♦ Rule Writing and Review  |
| Agency Goal: Develop, Recruit, Retain and Value a High Quality, Diverse Workforce                       |  |                  |                   |                    |                  |                 |  |  |
|   | ♦ Improve retention of qualified staff.  |                  | X                 |                    |                  |                 | ♦ Turnover rate<br>♦ Turnover rate compared to other comparable agencies                                       | ♦ Employee Turnover  |
|   | ♦ Increase the number of highly qualified and diverse candidates within the applicant pool.              |                  | X                 |                    |                  |                 | ♦ Diversity measured as a percent of utilization   | ♦ Qualified and Diverse Candidate Recruitment  |
|   | ♦ Expand employees' skills and knowledge through an array of training and developmental opportunities.   |                  | X                 |                    |                  |                 | ♦ Training hours   | ♦ Alternative Training Methodologies<br>♦ Effective Supervisory Management   |
|   | ♦ Upgrade the workplace environment in order to foster productivity, creativity, and innovation.         |                  | X                 |                    |                  |                 | ♦ Employee satisfaction survey   | ♦ Workplace Environment  |
| Agency Goal: Seek Efficiencies and Improvement in Agency Programs                                       |  |                  |                   |                    |                  |                 |  |  |
|   | ♦ Improve the timeliness of processing excise tax related data and information.                          |                  |                   |                    | X                |                 | ♦ 48 hour front-end processing<br>♦ Errors corrected in 10 Days<br>♦ 24 hour access to excise tax documents    | ♦ Excise Tax Return Data Capture   |
|   | ♦ Improve the time in which payment of full tax liability is received.                                   |                  |                   |                    | X                | X               | ♦ 2.5% reduction in delinquent excise taxes each year<br>♦ Reduction in write-offs as a percent of collections | ♦ Audit Assessment Tracking System<br>♦ Estimated Tax Assessment Process Study   |
|   | ♦ Enhance management information to enable more informed decision making by agency management.           |                  |                   |                    | X                |                 |  | ♦ Financial Information System<br>♦ Data Warehousing, Mining, and Query  |

# Balanced Scorecard

| Goals   | Strategies  | Scorecard        |                   |                    |                  |                 | Measures  | Initiatives   |  |
|---|---|------------------|-------------------|--------------------|------------------|-----------------|---|---|--|
|   |   | Customer Service | Learning & Growth | Internal Processes | Financial Impact | Value & Benefit |   |   |  |
| Agency Goal: Seek Efficiencies and Improvements in Agency Programs continued . . .                                  |   |                  |                   |                    |                  |                 |   |   |  |
|   | ◆ Enhance organization efficiency through process improvements of existing systems.   |                  |                   | X                  | X                |                 | ◆ Employee satisfaction with systems<br>◆ Cost cutting<br>◆ Reduced FTE's<br>◆ Reduced numbers of IS staff required to maintain systems<br>◆ Percent change in budget | ◆ Alternative Audit Method – Managed Audits<br>◆ Centrally Assessed Property System<br>◆ Financial and Employee Services Document Storage and Retrieval<br>◆ Information Services Support Systems<br>◆ Legislation and Policy Document Management System<br>◆ PC Applications Update<br>◆ Personnel System and Process Redesign<br>◆ Property Tax Deferral System<br>◆ Property Tax Exempt System<br>◆ Purchasing, Payables and Inventory System Automation<br>◆ Real Estate Excise Tax<br>◆ Taxpayer Accounts Receivable Integrated Aystem |  |
|   | ◆ Accelerate development of business applications by standardizing technology products.   |                  |                   | X                  |                  |                 |   | ◆ Forest Tax Technology Enhancement<br>◆ Oracle Database Applications<br>◆ Unclaimed Property Technology Study  |  |
|   | ◆ Optimize the Department's ability to conduct business effectively through continued investment in technology infrastructure.  |                  |                   | X                  |                  |                 | ◆ Improve access time to network<br>◆ Increase access to agency systems via laptop and desktop personal computers   | ◆ Remote Access Enhancement   |  |
| Agency Goal: Promote Fairness, Consistency, and Uniformity in the Development and Application of Tax Law and Policy |   |                  |                   |                    |                  |                 |   |   |  |
|   | ◆ Increase the ability to provide consistent tax information and tax policy interpretation to customers and employees.          | X                |                   | X                  |                  |                 | ◆ Fewer appeals<br>◆ Taxpayer satisfaction survey   | ◆ Interim Audit Guidelines  |  |
|   | ◆ Improve communication between divisions regarding interactions with taxpayers.  |                  |                   | X                  |                  |                 | ◆ Employee attitude survey<br>◆ Reduced taxpayer complaints<br>◆ Increased access to taxpayer information   | ◆ Centralized Notepad System<br>◆ Tax Discovery Case Tracking System  |  |
|   | ◆ Enhance compliance to, and uniform application of, property tax laws and administration by monitoring and assisting counties. | X                |                   |                    |                  | X               | ◆ Increased compliance and uniform application of property tax laws   | ◆ County Assessment Performance Program   |  |



# Balanced Scorecard

|   |   | Scorecard        |                   |                    |                  |                 |  |   |
|---|---|------------------|-------------------|--------------------|------------------|-----------------|--|---|
| Goals   | Strategies  | Customer Service | Learning & Growth | Internal Processes | Financial Impact | Value & Benefit | Measures                                     | Initiatives   |
| Agency Goal: Promote Fairness, Consistency, and Uniformity in the Development and Application of Tax Law and Policy continued . . . |   |                  |                   |                    |                  |                 |  |   |
|   | ♦ Actively participate in national and regional efforts to streamline and increase the consistency of state and local taxes.                            |                  |                   |                    |                  | X               |  | ♦ National Sales Tax Simplification Efforts   |
|   | ♦ Assist in tax policy decision making.   |                  |                   |                    |                  | X               |  | ♦ Final Tax Incidence Model   |
|   | ♦ Assist in the development of tax and regulatory policies that make Washington a more attractive location for new, existing, and homegrown businesses. | X                |                   |                    |                  | X               |  | ♦ Washington’s Economic Vitality Study<br>♦ Business Income Apportionment Policy Review |
| Agency Goal: Build and Strengthen Relationships with our Customers  |   |                  |                   |                    |                  |                 |  |   |
|   | ♦ Timely resolve taxpayer Issues resulting from Departmental actions.   | X                |                   |                    |                  |                 | ♦ Appeals resolution time                    | ♦ Appeals Timeline Reduction Pilot  |
|   | ♦ Increase customer satisfaction by improving the timeliness and accuracy of tax information.   | X                |                   |                    |                  |                 | ♦ Question from taxpayer satisfaction survey | ♦ Local Sales and Use Tax Distribution System   |

# Initiatives Indexed by Goal and Strategy

## GOAL: MAKE CONDUCTING BUSINESS AS SIMPLE AS POSSIBLE FOR OUR CUSTOMERS AND EMPLOYEES

STRATEGY: *Make it easier for taxpayers to file and pay their taxes.*

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STRATEGY: *Reduce taxpayer and agency administrative complications by simplifying tax laws and rules.*

|   |    |
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STRATEGY: *Identify areas where taxpayer education is needed and provide targeted outreach and assistance.*

|                                      |    |
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STRATEGY: *Deliver enhanced service via the Internet considering security, accessibility, and cost effectiveness.*

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STRATEGY: *Improve taxpayers' understanding of tax reporting responsibilities.*

|   |    |
|---|----|
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## GOAL: DEVELOP, RECRUIT, RETAIN AND VALUE A HIGH QUALITY, DIVERSE WORKFORCE

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STRATEGY: *Increase the number of highly qualified and diverse candidates within the applicant pool.*

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STRATEGY: *Expand employees' skills and knowledge through an array of training and developmental opportunities.*

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# Initiatives Indexed by Goal and Strategy

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# Initiatives Indexed by Goal and Strategy

## GOAL: PROMOTE FAIRNESS, CONSISTENCY, AND UNIFORMITY IN THE DEVELOPMENT AND APPLICATION OF TAX LAW AND POLICY

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(\* = shared lead)



# New Initiatives Ranked by Tier

As a planning and evaluating tool, each of the new initiatives included within our Strategic Business Plan was prioritized based on the following scale:

**TIER 1 – ESSENTIAL** Initiatives with the agency’s highest level of commitment - may require current initiatives to be adjusted.

**TIER 2 – IMPORTANT** Initiatives which are very important but must be considered against other ongoing initiatives if funds are not sufficient.

**TIER 3 – BENEFICIAL** Initiatives which are beneficial to agency programs, but will only be pursued if they do not infringe upon higher level priorities.

**TIER 1 – INITIATIVES**

- Data Warehouse, Mining, and Query
- Sales Tax Resale and Exemption Administration
- Taxpayer Accounts Receivable Integrated System
- Local Sales and Use Tax Distribution System
- Centrally Assessed Property System
- Electronic Filing and Payment Matching System
- PC Applications Update
- Washington’s Economic Vitality Study
- Tax Discovery Case Tracking System
- Centralized Notepad System
- National Sales Tax Simplification Efforts
- Electronic Funds Transfer for Partial Payment
- Dedicated Taxes Study
- Web Site Evaluation for Optimal Utilization
- Targeted Education
- Interim Audit Guidelines

**TIER 2 – INITIATIVES**

- Appeals Timeline Reduction Pilot
- Excise Tax Return Data Capture
- Telefiling
- Personnel System and Process Redesign
- Property Tax Deferral System
- Electronic Agency Rule Files
- Oracle Database Applications
- Alternative Audit Method – Managed Audits
- Combined Filing with Employment Security and Labor and Industries

# New Initiatives Ranked by Tier

## **TIER 2 – INITIATIVES (continued)**

County Assessment Performance Program  
Remote Access Enhancement  
Internet Excise Tax Database Query  
Business Income Apportionment Policy Review  
Property Tax Exempt System  
Geographic Information System  
Real Estate Excise Tax  
Purchasing, Payables, and Inventory System Automation  
Financial and Employee Services Document Storage and Retrieval  
Information Services Support Systems  
Excise Tax Deduction Detail Simplification Study  
Effective Supervisory Management  
Employee Turnover  
Workplace Environment  
Alternative Use Tax Reporting and Payments

## **TIER 3 – INITIATIVES**

Financial Information System  
Unclaimed Property Technology Study  
Legislation and Policy Document Management System  
Forest Tax Technology Enhancement  
Audit Assessment Tracking System  
Interactive, Fill-in Forms  
Estimated Tax Assessment Process Study  
Qualified and Diverse Candidate Recruitment  
Rule Writing and Review  
Final Tax Incidence Model  
Alternative Training Methodologies





# Environmental Conditions and Trends

## **BUSINESS ENVIRONMENT** *Inflation and Interest*

An important national economic trend has been the large decline in inflation and interest rates over the past 20 years. The rate of inflation as measured by the Implicit Price Deflator has fallen from over 10 percent in 1980, to about 1.5 percent in 1999. The prime interest rate charged by banks has declined from a peak of over 20 percent in the early 1980's to the 8% range.

## *Economic Stability*

The U.S. economy is now far more stable than it used to be, with a major contributing factor being the low inflation and interest rates. Another important change in the national economy over the past several years is recessions becoming far less frequent. The increased economic importance of the service sector, relative to goods producing sectors, has also contributed to economic stability.

## *Washington Economy*

Since 1982, the Washington economy has become far more stable as well. Since national recessions are now less frequent, downturns of the state economy are also less frequent. However, a key factor that contributes to the state's current stability is its diverse economy. The state economy has traditionally been dependant upon goods producing industries such as agriculture, forest products and aerospace. Service industries such as travel/tourism have grown in importance. However, the key factor in the diversification of the state economy in recent years has been the rapid growth of technology-based industries. Software, biotechnology, semiconductor, telecommunications and Internet companies have greatly increased the diversification of Washington's economy.

## *Business Climate*

Even with a healthy economic climate and attempts at making the tax code more business friendly, there continues to be a percentage of businesses that fail. Both nationally as well as in Washington, there has been a large increase in the number of bankruptcies during the 1990s. Between 1992 and 1998, the number of bankruptcies in the U.S. jumped 43 percent to more than 1.4 million filings.

## *Washington Revenue Forecast*

The table on the following page shows historical revenue collections, which include rate, base, and administrative changes. Also shown are estimated future general fund revenues. These estimates assume constant tax rates and no change in the tax base.

# Environmental Conditions and Trends

## WASHINGTON STATE GENERAL FUND REVENUES (\$ MILLION)

| <u>Biennium</u> | <u>Collections/Forecast</u> | <u>% Change</u> |
|-----------------|-----------------------------|-----------------|
| 1989-91         | 13,309.0                    | 21.7            |
| 1991-93         | 14,862.2                    | 11.7            |
| 1993-95         | 16,564.6                    | 11.5            |
| 1995-97         | 17,637.7                    | 6.5             |
| 1997-99         | 19,621.1                    | 11.2            |
| 1999-01F        | 20,727.5                    | 5.6             |
| 2001-03F        | 22,174.3                    | 7.0             |
| 2003-05F        | 23,983.8                    | 8.2             |

The projection for the 1999-01 Biennium is the official November 1999 forecast of the Revenue Forecast Council. Estimates for the 2001-03 and 2003-05 biennia are not official forecasts of the Revenue Forecast Council. These are unofficial estimates produced by the Research Division for Department of Revenue planning purposes.

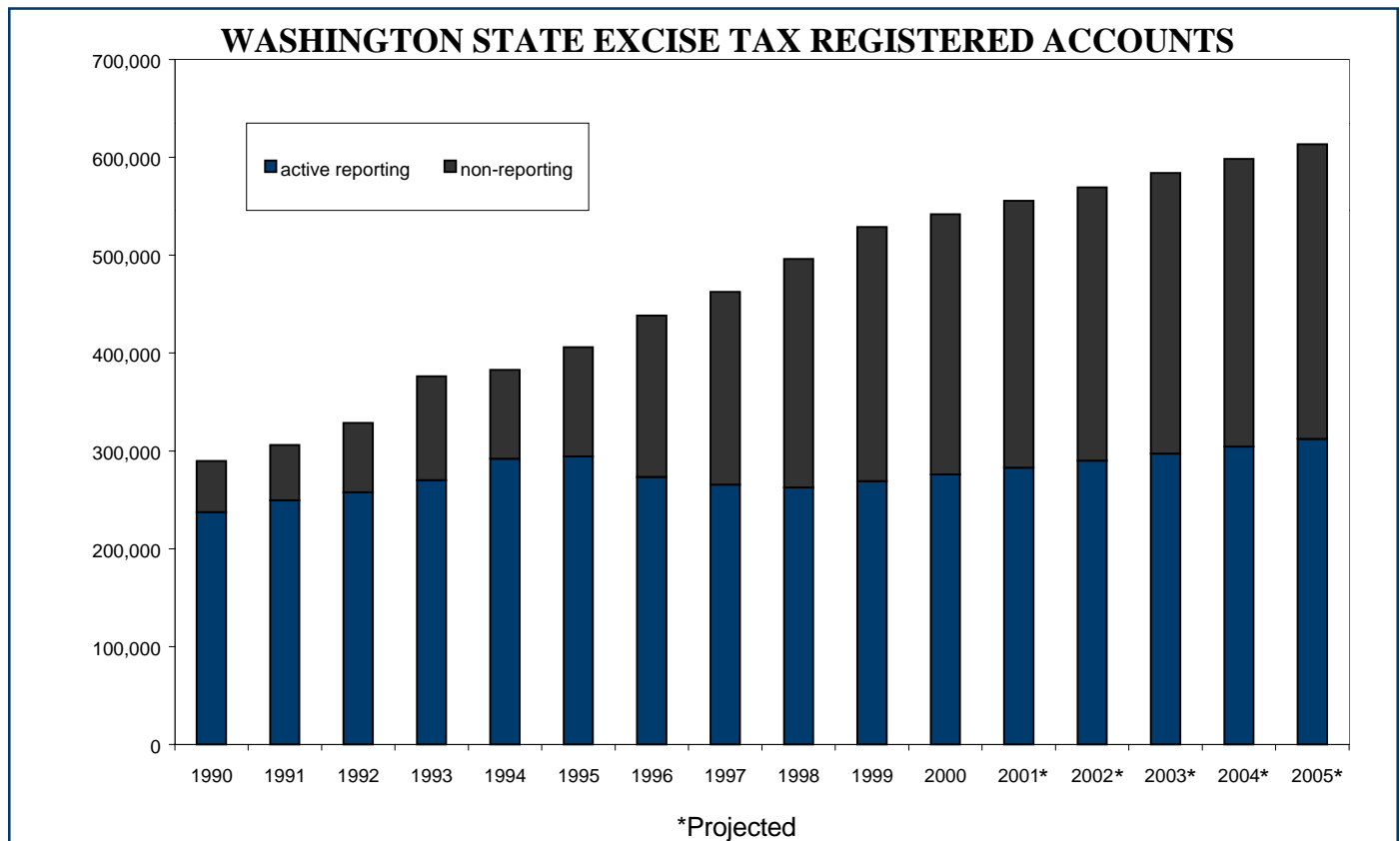
### DEMAND FOR EFFICIENCIES AND PRODUCTIVITY

The number of Washington registered business accounts has been growing at a steady rate. The Corporation for Enterprise Development (CFED), a national non-profit research and policy group, shows in their 1999 report Washington as the number one state in the nation for new business formation. The high rate of new business formation in Washington also results in the state having the highest rate of business closings, according to CFED. At the same time, the Department of Revenue, like all other government agencies, is facing continued external pressure for downsizing. With current budget constraints, and pressure to reduce workforce levels, the agency is constantly seeking efficiencies in programs and activities. The agency must manage increasing workloads and responsibilities with fewer resources.

## ACCOUNTS CLOSED & ACCOUNTS OPENED

| <u>Year</u> | <u>Accounts Closed</u> | <u>Accounts Opened</u> |
|-------------|------------------------|------------------------|
| 1990        | 46,407                 | 45,086                 |
| 1991        | 45,718                 | 42,757                 |
| 1992        | 44,470                 | 55,314                 |
| 1993        | 61,607                 | 71,457                 |
| 1994        | 53,537                 | 75,126                 |
| 1995        | 55,386                 | 76,675                 |
| 1996        | 50,452                 | 50,222                 |
| 1997        | 44,638                 | 63,711                 |
| 1998        | 46,436                 | 49,471                 |
| 1999        | 45,124                 | 48,520                 |

# Environmental Conditions and Trends



## TECHNOLOGY

### *Demand for Information*

As the Department enters the new millennium, it is faced with the rapidly growing need for more and better information, enhanced availability of information, and the ability to process increasing levels of information. Greater reliance is being placed on automation and electronic means of passing information between outside and internal users of agency systems. This creates a need to manage the information in terms of volume, security, and integrity and at the same time deal with privacy and legal considerations of electronic media via the use of Internet, Intranet and Ethernet technology.

Information technology enables the integration and management of information resources to enable businesses and government to seize opportunities to bring “added value” to business activities. This may be through greater productivity, better quality of service, or better decision-making.

### *Balance with Personal Service*

Although automation improves service delivery, and creates opportunities for greater productivity and better information for decision-making, it is not a replacement for personal service. Many services provided to customers would not be effective without the human element. The challenge for the Department is to balance the use of technology and all of its benefits with the need for personal service.

# Environmental Conditions and Trends

## *Customer Expectations*

Technological issues continually face the agency in terms of cost benefit and choosing the best approaches to handling business activities. Department customers make this more difficult by their increasing expectations and demands. As taxpayers and other customers become more technologically advanced, they expect the same of the Department. This is compounded even more with rapid changes in the technological environment that make this a dynamic decision-making environment.

## **NATIONAL TAX POLICY**

National organizations such as the Multi-state Tax Commission (MTC) and the Federation of Tax Administrators (FTA), along with the federal government, work to build consistency in tax applications nationally. At the federal level, several issues with potential impact to Washington are electronic commerce, various sales and use tax proposals, and Interstate Commerce Clause rulings and interpretations. These issues are of extreme importance to both the state and every local jurisdiction as they may impact current revenue sources used to fund public services.

Uniformity and simplification of sales and use tax, taxation of electronic and direct marketer transactions, and coordinated reporting and audit activities also continue to be prominent at the state, regional and national levels.

## **PUBLIC PERCEPTIONS OF GOVERNMENT**

The public is increasingly questioning the role of government and the services provided. There is a strong public perception that government operations could be more efficient. There is the perception that government is too large, complex, intrusive, and wastes money. Citizens are confused and frustrated by the various levels of government and the regulations that each level imposes on their personal and business lives. They are upset about the amount of taxes and fees they pay to federal, state, and local governments. This environment is partially fueled by the lack of knowledge regarding the services provided with money from taxes. Washington State citizens are showing their frustration by passing citizen- driven initiatives such as I-601 and I-695 that curtail state spending and revenue collection.

## **COMPLEXITY OF TAX LAW**

The increasing number and complexity of tax laws makes it very difficult for taxpayers to understand and comply with reporting requirements.

The state of Washington tax code was originally adopted in 1935. This was before televisions, computers, and the Internet. The original tax code does not address the way business is conducted in today's environment. Therefore, each legislative session brings amendments to the original tax code in an effort to address contemporary issues. This situation has contributed to the confusing tax structure.

As a result, businesses are more adamant about the Department taking a leading role in resolving issues related to tax administration. They are also asking for clear, concise rules and instructions concerning taxpayers' reporting and payment responsibilities.

# Environmental Conditions and Trends

## COMPLEXITY OF TAX LAW

Taxpayers also expect simplification of the taxation process, especially as it relates to:

- ◆ Ease of filing
- ◆ Ease of payment
- ◆ Ease of understanding reporting requirements

## INTERGOVERNMENTAL COOPERATION

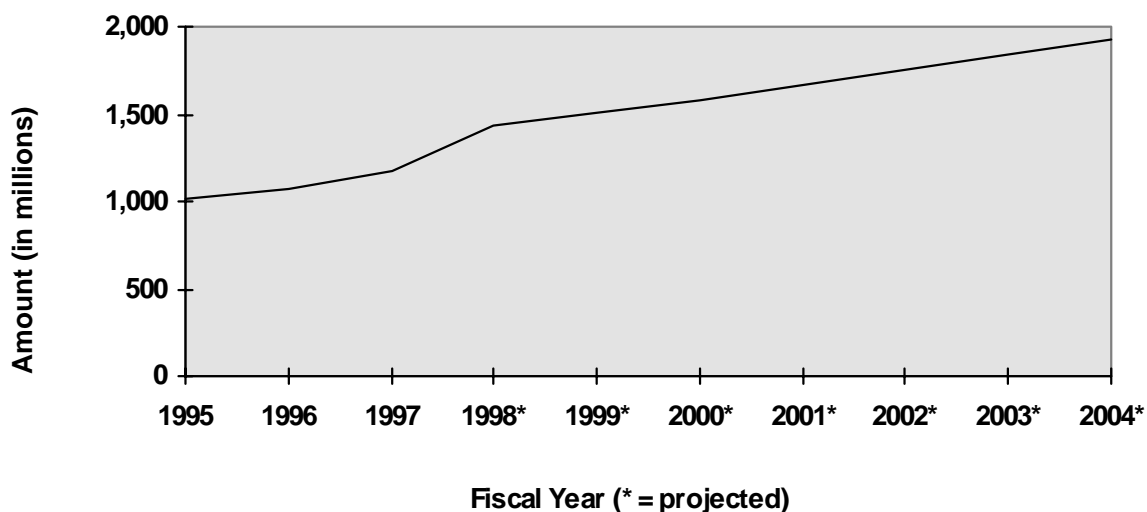
The proliferation of government has caused confusion for citizens in determining which local, state, or federal government agency they need to deal with on a particular issue. To respond to this confusion, government is reexamining roles and the way business is conducted.

Washington citizens are asking for “one stop shopping” for state required licenses and “combined reporting” for payment of taxes to multi-agencies. Government at all levels needs to increase interaction and cooperation to meet citizen expectations. They need to work together to initiate innovative ways to maintain and increase levels of public service, including criminal justice, transportation, social services, privatization, and taxation.

## LOCAL TAX ADMINISTRATION

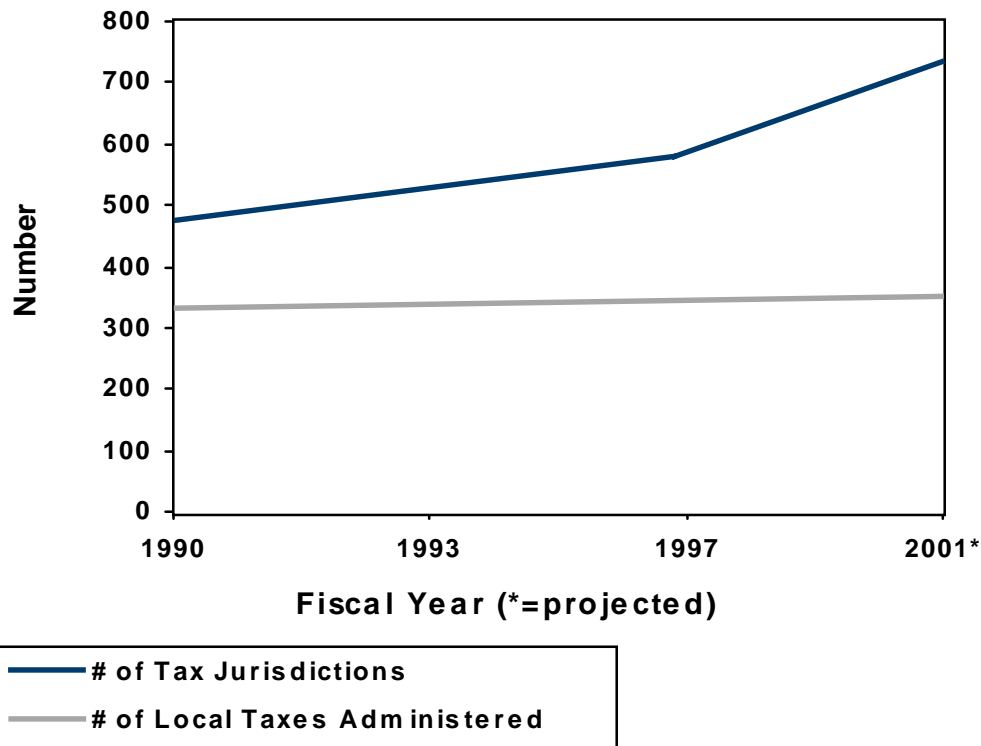
Local option sales and use taxes have increased significantly in both number and type, and continue to be a substantial revenue source for most local taxing jurisdictions. More than 300 taxing jurisdictions exist at this time. New taxing jurisdictions continue to be formed that create tax boundaries in nontraditional ways. These include voting precincts and community interests. Local governments want more data from businesses to ensure taxes are distributed accurately and fairly. However, businesses indicate that accounting for local tax, even in its current form, is very costly.

### LOCAL TAX DISTRIBUTIONS



# Environmental Conditions and Trends

## LOCAL TAX JURISDICTIONS AND TAX TYPES



The property tax is administered through county governments. Some counties are experiencing funding dilemmas and may be having difficulty administering property taxes.

Local Business and Occupation (B&O) taxes vary widely in terms of base and rates among taxing jurisdictions and also between local and state applications. The business community finds it difficult to operate in multiple locations and properly account for B&O taxes in each jurisdiction.

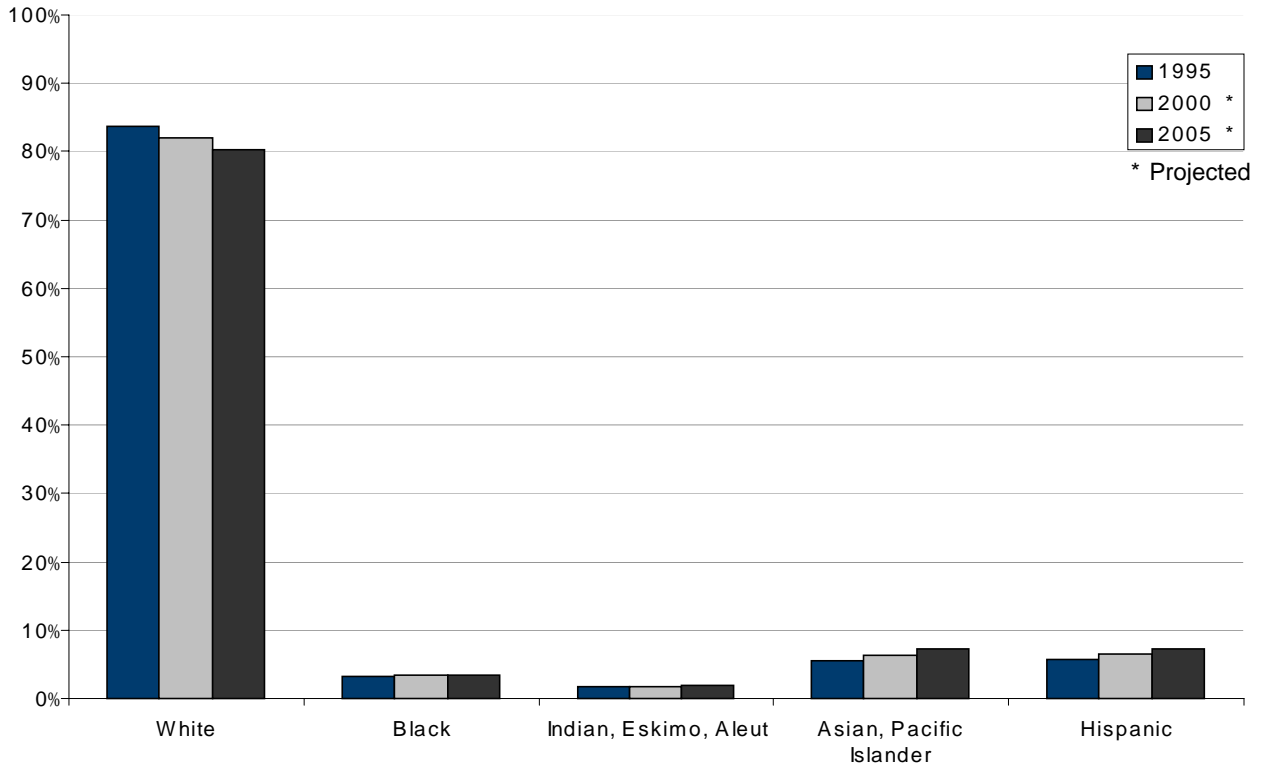
## WORKFORCE ISSUES

The Office of Fiscal Management (OFM) prepares a forecast of the Washington State Labor Force. According to OFM, there will be a number of important changes in the labor force between now and 2020:

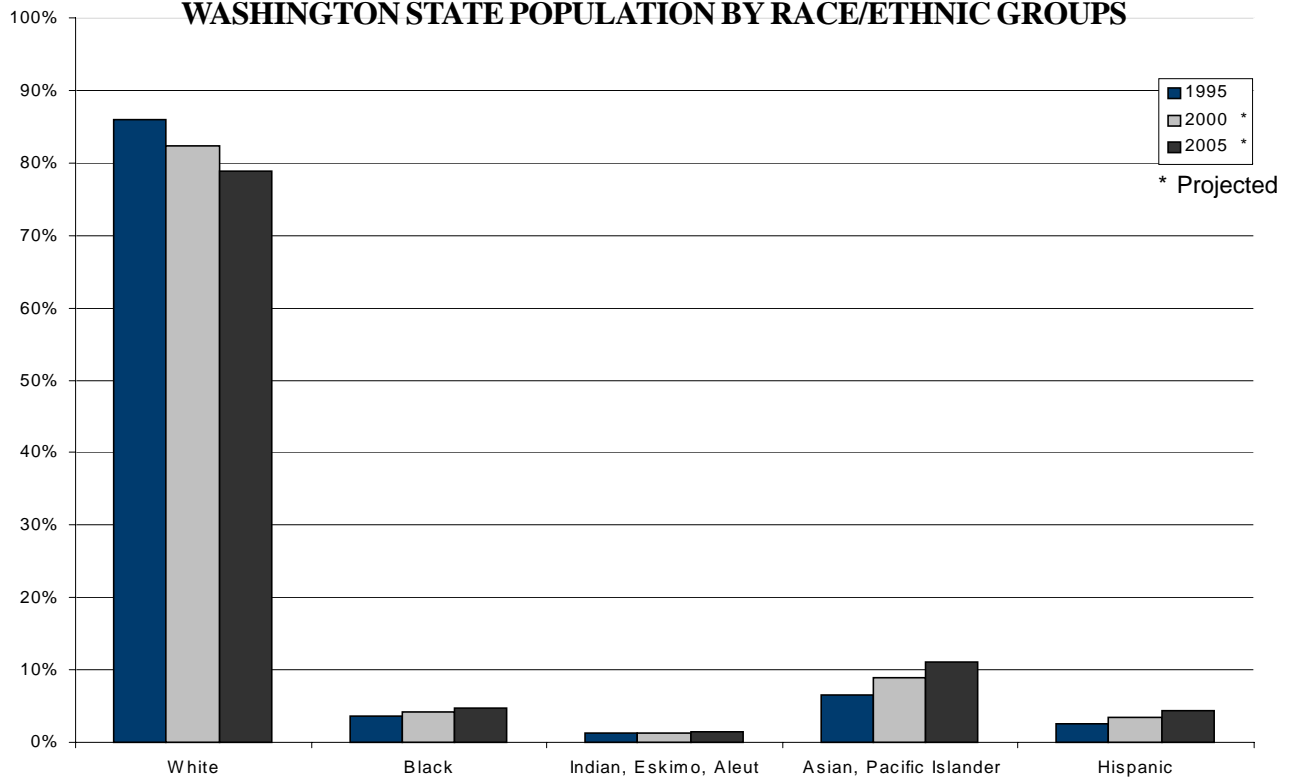
- ◆ An increase in the proportion of women in the labor force.
- ◆ Between 1990 and 2020, the number of Washington workers over age 55 is projected to increase 196 percent, while workers' ages 16-54 will increase only 38 percent.
- ◆ Between 1990 and 2020, the non-white labor force in Washington is projected to grow at an annual rate of 3.4 percent, compared to 1.5 percent growth of the total labor force.

# Environmental Conditions and Trends

**DEPARTMENT OF REVENUE EMPLOYEE POPULATION BY RACE/ETHNIC GROUPS**



**WASHINGTON STATE POPULATION BY RACE/ETHNIC GROUPS**



# Environmental Conditions and Trends

## **WORKFORCE ISSUES**

The ability of the Department and government as a whole to compete for, and retain a qualified, diverse workforce, depends on the ability to respond to worker demographics, working environments, and quality of life issues. This is especially pertinent because government will never be able to compete for skilled workers through matching pay levels with the private sector. Tight labor markets and lack of skilled workers demands creativity in dealing with workforce issues.

The Department must continue to provide high-quality training for employees and be responsive to flexible employee work arrangements, among other employee incentives, to compete in the current tight job market and to continue providing high quality services effectively.



# Current and Ongoing Initiatives

## **GOAL:**

**MAKE CONDUCTING BUSINESS AS SIMPLE AS POSSIBLE FOR OUR CUSTOMERS AND EMPLOYEES**

## **EDUCATION AND OUTREACH**

Years ago, the Department realized that the cheapest and best way to attain voluntary compliance was through educational efforts. Since then, attention has continued to be focused on providing taxpayers with the information they need to fully understand and comply with their tax reporting responsibilities. Enhanced forms, better publications, workshops for new businesses and businesses located out-of-state are examples of methods used to reach out to taxpayers. Direct taxpayer assistance is accomplished through many efforts. Audits conducted by the agency allow for one-on-one assistance and education. Consultation visits by the Audit Division and Unclaimed Property Section allow for individualized assistance. In addition, the Department maintains several field offices statewide that allow for personal assistance with registration and completion of the tax return.

The Department also provides toll-free telephone access into the major tax areas of the agency. The Telephone Information Center, which is the agency's main toll-free line for excise taxes, offers electronic services in addition to personal assistance. These services include: Tax Express (a series of prerecorded information segments on various taxes), Fax-On-Demand, and publication ordering. For taxpayers filing their Combined Excise Tax Return electronically, a help desk is staffed to provide personal assistance.

A variety of Department information is now available to taxpayers through the Internet, including a start-up section for new businesses, agency publications, lists of agency services, access to rules and laws, an unclaimed property database, a business record database, and links to other government organizations. The public can access the Department's Web page directly or through the state's portal – Access Washington.

## **MULTILINGUAL AND ASSISTANCE PROGRAMS**

The state population and the Department's customer base come from varying backgrounds and cultures. This diversity represents a variety of challenges that need to be addressed as a public service agency. The Department has a responsibility to ensure the communication and physical needs of our customers are met. To that end, the Department's multilingual program provides services to the visually, hearing and speech impaired, as well as to taxpayers who need foreign language assistance. The Department also continues to ensure workshop facilities meet the needs of disabled employees and customers as required by the Americans with Disabilities Act.

## **REPORTING AND PAYMENT OF TAXES**

A variety of efforts have been conducted by the agency to make filing and payment of taxes easier. These efforts have ranged from consolidating business and occupation tax rates to the development of the simplified return for taxpayers who report and pay small amounts of sales tax. The agency has also pursued telefiling options for timber and

# Current and Ongoing Initiatives

excise tax taxpayers who need to file a return but have no business activity. In this situation, a taxpayer can call and clear their account from showing that there is an outstanding return.

Another significant effort was the change from all taxpayers needing to register and file a return even if they had no business activity to the current “active non-reporter” status. This status allows a business to be registered, but eliminates the requirement for filing a return when reporting thresholds are not met or there are no sales taxes to remit.

In the payment arena, the Department has piloted the acceptance of debit cards in field offices and has expanded the use of electronic payments by ACH debit to taxpayers filing over the Internet.

## TAX SIMPLIFICATION

Recent examples of tax simplification efforts includes a quality team effort that looked at Sales Tax Exemption Certificates and streamlined the application process. Another effort involved creating a schedule that taxpayers could use to calculate their Small Business Credit rather than computing the amount themselves. For local tax coding, the Department ventured into the use of a Geographic Information System to provide taxpayers the ability to look up addresses to determine the proper rate for charging local sales taxes.

During the past three legislative sessions, tax simplification has been an agency priority. Among bills passed were: consolidation of Business and Occupation Tax classifications and rates, elimination of the Business and Occupation Tax on internal distributions, elimination of Machinery and Equipment Tax reporting requirements, and an increase in the active non-reporting Business and Occupation Tax threshold. The agency will continue to look for simplification opportunities as part of the legislative request process.

## TAXPAYER APPEALS

To enhance the administrative appeals process, the Department has made several changes to speed up and simplify the process. For smaller amounts in dispute where no tax policy issue is in question, a small claims process was set up to expedite determinations. Timelines for hearing and rendering a decision on regular appeals have also been shortened and backlogs eliminated. One change that contributed to the shortened timelines was an improvement to the appeals decision review process along with modifying criteria for case publication.

The Department is also conducting an 18-month study using Alternative Dispute Resolution (ADR). It is not intended to replace any current appeals options or to become the only, or even the most commonly used, alternative for dispute resolution. Mediation will

# Current and Ongoing Initiatives

be the main initial focus of an agency ADR pilot. Most often, opportunities for mediation will arise during the course of an Audit, or from excise tax appeals that have already been filed with the Appeals Division.

## GOAL:

### **DEVELOP, RECRUIT, RETAIN AND VALUE A HIGH QUALITY, DIVERSE WORKFORCE**

## TRAINING

The Department is committed to ongoing development and training of employees. In today's complex work environment, employees need to be well trained to be effective in carrying out their job responsibilities. To assist in this effort, a Department training plan is prepared and published every 2 years to identify where training is needed. The current plan focuses on the knowledge, skills and abilities that employees need to be successful.

A training committee comprised of representatives from across the agency meets quarterly to discuss and plan for training needs. Other committees that assist with employee development, or that recommend specific training, include the Committee on Diversity, the Quality Council, and the Safety Committee.

Training continues to be a recognized priority for the Department. The continued professional development of agency staff is essential to operating efficiently and being able to recruit and retain a well-qualified workforce. Changes in job requirements and technology, and resulting impacts on everyday work responsibilities, create ongoing training issues for the agency.

Employees complete a training development plan every year. The plan is reviewed and updated during the performance evaluation process. This offers both the agency and the employee a focus for training that is based on job responsibilities and individual development.

Training provided by the agency includes: the use of quality tools and quality team facilitation, supervisory training, communication skills, leadership, diversity, sexual harassment, management skills, and various technology courses. To reduce costs, the agency coordinates many in-house training efforts. These include computer training specific to the technology and software used by the agency, many supervisory training courses, cross-training which familiarizes new employees with various agency functions, and new employee orientation. Technical training is coordinated with each division to meet their unique needs.

The Human Resource Development Library maintained by the agency contains books, tapes, and videos for employee use. The agency also utilizes the Washington Library Network where possible to expand employee access to training resources.

# Current and Ongoing Initiatives

## **CAREER DEVELOPMENT**

Career counseling services are available to individual employees through the Human Resources Section. Tuition reimbursement, the mentoring program, core modules for Washington Management Service employees, supervisory core modules, and job development and job rotation assignments all offer career development opportunities.

The Department explores incentives for staff who obtain professional certification or designation that enhance current job responsibilities. Property-specific training is provided for appraisers and auditors to attain professional designations. Continuing legal education is provided which supports maintenance of skill levels among agency legal staff, including maintenance of licenses to practice law. Continuing professional education is provided to numerous certified and licensed staff. Other continuing education supports staff in different classifications to maintain professional licenses.

## **DIVERSITY**

A diverse workforce incorporates differences in gender, race, age, ethnicity, religion, physical or mental ability and sexual preference. To help promote an understanding of these differences, the agency's diversity committee is dedicated to ongoing efforts to promote awareness of diversity and provide staff representation on issues related to diversity.

## **HEALTH AND SAFETY**

The health and safety of employees is a top priority. The Department has developed and implemented a Safety Plan. This plan is continually updated to ensure compliance with OSHA/WISHA applicable state laws. Each field office has a safety representative. The Safety Committee, a labor/management committee, reviews and makes recommendations regarding safety, and conducts inspections of work areas and assigned vehicles. Training is provided to employees in the areas of first aid, defensive driving, letter bomb awareness and stress management to help create a safer work environment. The agency's wellness program promotes overall health and fitness.

Workplace assessments for employees with special needs are conducted, and where indicated, adequate modifications and equipment are provided. Facilities are inspected to ensure adequate safety measures are in place. These measures include safety buzzers at counter, back doors to offices, and adequate lighting in parking lots. Access to cellular phones is also provided to staff on field assignments.

## **ALTERNATIVE WORK ARRANGE- MENTS**

The Department continues to support job rotation and job development assignments. Flex-place arrangements are utilized when both agency and employee needs can be met. Flexible working hours are also available within established limits when circumstances allow for the flexibility. In addition, the agency allows job sharing and part-time employment opportunities when feasible. Light duty assignments are used to provide relief for injured workers. Other programs that support these activities include the Guaranteed Ride and Ride Share programs, and bus/van pool reimbursement and the state agency rider pass program in Thurston County. These programs also support the commute trip reduction program.

# Current and Ongoing Initiatives

## **RECRUITMENT**

The Department is active in its recruiting efforts to help ensure the workforce reflects the diverse customer base. Employment opportunities are advertised in newspapers, trade publications, and the Internet. The agency attends job fairs sponsored by universities and community based organizations and uses extensive networks to identify qualified candidates.

The College Recruitment program, student interns, use of in-training designations, and the Washington Management Service program all assist in providing flexible recruitment tools to access a broader pool of qualified candidates.

## **EMPLOYEE RECOGNITION**

Department employees are recognized for achievements and contributions through a variety of formal and informal programs. Several recognition programs rely on nominations from staff. Other more formal ceremonies such as the quarterly Quality Recognition program are organized to recognize specific individual or team efforts resulting from process improvement efforts. Other formal recognition programs include the annual agency-wide recognition program, and many division recognition programs. Informal recognition occurs regularly within work groups and offices.

## **COMMUNICATION**

Effective communication continues to be a priority of the agency. Results of the Employee Attitude survey continue to show that this is an area that needs improvement. Currently, several strategies are in place to enhance communications. They include: information posted on the Intranet, use of e-mail, phone communications including voice mail, and staff meetings. Minutes of the Strategy Team meetings are also available. General publications available to employees include the Employee News, Quality Newsletter, and the Helpful Information Report. In the tax arena, employees have access to press releases, Special Notices, and pre-released copies of taxpayer publications.

## **MANAGEMENT AND EMPLOYEE RELATIONS**

In addition to the Safety and Training Committees, the 2054 Committee is also a labor and management committee and is designed to collaborate on agency issues.

## **EMPLOYEE SATIS- FACTION SURVEY**

One of the primary tools used by the agency to obtain employee feedback is the Employee Satisfaction survey. This survey is administered every two years and asks a variety of employment related questions. Responses to the survey are made anonymously. The agency uses the information to gauge employee attitudes and expectations. To solicit feedback and ideas, employees are asked to participate in feedback sessions and communicate directly with their supervisors. Employees are also asked to participate on committees that are formed to specifically address issues identified in the survey process.

# Current and Ongoing Initiatives

## **FACILITIES**

The Department wants to ensure employees have the facilities, supplies, and equipment necessary to efficiently perform job responsibilities. The Department has upgraded several of its facilities and continually strives to modernize work tools with available funds. Outside consultants are also used to evaluate the work space for employees with disabilities to assist in obtaining the necessary tools to meet specific needs.

## **GOAL:**

### **SEEK EFFICIENCIES AND IMPROVEMENTS IN AGENCY PROGRAMS**

## **QUALITY**

The quality program continues to bring awareness, efficiency, and productivity into many areas of the agency's operations. Training in quality tools enables employees to continue to deploy these techniques in resolving process issues and identify better ways of doing business. Management and staff are encouraged to continue quality reviews and learn quality concepts and tools.

Through continuous improvement efforts, the agency has continued to provide excellent customer service while managing increasing workloads in an era of decreasing resources.

The agency's Quality Council provides a forum to discuss quality efforts, enhance communications, and serve as an avenue for the review of quality suggestions.

Each quarter, the agency submits improvements to the Governor's office. Several of these improvement ideas have been recognized in the Governor's "Governing For Results" publication.

## **CURRENT AND EMERGING TECHNOLOGY**

Reliance on technology to implement and improve business processes and increase efficiency and effectiveness continues to increase. The agency supports and maintains systems and networks that range from personal computers, to mainframe, to local and wide area networks, to the use of Internet/Intranet. Applications supported by the agency include small personal computer applications to very large tax processing programs. More recently, the Department has begun using current technologies such as a Geographic Information System for local tax coding, Data Mining and Warehousing for audit selection, and the Internet for the electronic filing and payment of the Combined Excise Tax Return. Other technologies used by the agency include document imaging and management systems in various divisions, bar coding of tax documents, and small efforts at using optical character reading for remittance documents.

## **TAX PROCESSING AND INFORMATION**

The Department has continued its ongoing efforts to improve the ability to efficiently process tax information. Focus has been placed on processing tax returns and payments as quickly as possible once they reach the Department. A recent effort was successfully undertaken allowing access to images of the excise tax return to



# Current and Ongoing Initiatives

employees who work out-of-balance returns. The agency's receivable system was recently updated to improve efficiency and controls. A current effort that is underway is the conversion of the Standard Industrial Code structure that identifies a company's type of business activity. These codes are being converted to the new national standard called NAICS, the North American Industrial Coding Structure.

## **PROGRAM ENHANCEMENTS**

Other efforts within the agency that have been designed to improve program administration include enhancements to the Unclaimed Property program in the areas of abandoned property identification, claim processing, and allowing potential claimants to submit their claims over the Internet. In the Property Tax area, enhancements have been made to mapping functions, ratio development, and the processing of exempt property files and information.

## **ADMINISTRATIVE PROCESSES**

Organizational efficiency has been enhanced by helping to ensure line staff are spending the majority of their time and energy on customer service and their job responsibilities. One approach the agency has used to achieve this goal is the pursuit of better internal administrative processes. These efforts have included the development of online travel reimbursement and training registration systems. To provide employees easier access to information, the use of the Intranet has grown. Administrative policies and procedures, phone rosters, job announcements, and merit system rules are examples of information maintained on the Intranet.

## **GOAL:**

### **PROMOTE FAIRNESS, CONSISTENCY AND UNIFORMITY IN THE DEVELOPMENT AND APPLICATION OF TAX LAW AND POLICY**

## **TAX LAW REVIEW, DEVELOPMENT AND INTERPRE- TATION**

The Department works with the Governor's Office, the legislature, other state agencies, local governments, and interest groups to help them develop tax-related legislation. Efforts include evaluation of proposals, bill drafting, and revenue and administrative cost analysis. The Department drafts legislation the agency wants to propose and provides information to aid in its evaluation. On average, the Department tracks more than 400 legislative bills each year that would effect the agency.

Internally, the Legislation and Policy Division provides other divisions with technical and policy advice on tax issues and in the application of tax statute and rules. This effort promotes consistency and correctness, particularly in complex and new areas.

## **TAX RULES REVIEW AND DEVELOPMENT**

The Department conducts an annual review of 25% of the agency's administrative rules, tax bulletins, and policy memoranda to determine if any should be updated, extensively rewritten, or repealed. An analysis of the economic impact of rules on small business is also conducted, and if significant, rule changes to mitigate the impact are suggested.

# Current and Ongoing Initiatives

## **TAX POLICY**

The Department routinely works with other states and national organizations such as the Multi-State Tax Commission, Federation of Tax Administrators, Unclaimed Property Tax Administrators, and International Association of Assessing Officers on issues of national significance and to promote fairness and ease of application of laws.

Some of the major issues the Department continues to be involved with include taxation of commerce over the Internet, apportionment, uniform definitions and reporting of sales taxes in multiple states, and the idea of a federal sales tax.

## **EDUCATION**

To assist taxpayers in understanding and paying the appropriate level of tax, the agency continues to target education activities to areas where confusion or noncompliance appears to be highest or to where the tax law recently changed. The targeted education is conducted through special notices, workshops, and speeches for specific industries.

Education materials are developed and published by the Property Tax Division to educate county assessors, appraisers and members of the Boards of Equalization on property taxation. This helps to ensure uniform treatment among the counties for administration, and standardization of appraisal methodology. Workshops and training sessions are held with county assessor and treasurer personnel to help ensure uniformity of the state's property tax system.

## **AUDIT ACTIVITIES**

The Department conducts audits of taxpayer businesses to educate and inform them of their tax obligations. To select companies for audit, random audit samplings are used based on a stratification by size and industry. This approach provides industry coverage among firms that otherwise would not be audited; helps to ensure audit coverage throughout multiple industries of all sizes; and generates valuable information for taxpayer profiling and measuring voluntary compliance.

## **COLLECTION EFFORTS**

Improvements to collection efforts have included enhanced case referral systems, changes to the taxpayer notification process for outstanding delinquent returns, further automation of receivables systems, and better tracking of tax discovery case work. With the involvement of the Office of the Attorney General and its Bankruptcy and Criminal Litigation Units, the Department pursues collections from businesses that file bankruptcy, or engage in criminal activity.

## **GOAL:**

### **BUILD AND STRENGTHEN RELATIONSHIPS WITH OUR CUSTOMERS**

## **PARTNERSHIPS WITH OTHER GOVERNMENTS**

The Department works with a variety of government entities to carry out its business. Each spring and fall, the Department participates in the Business Information Workshops in cooperation with the Internal Revenue Service, and the Department's of Licensing, Employment Security, Labor and Industries, and Ecology to ensure participants have full



# Current and Ongoing Initiatives

information. The Department also works with the Small Business Improvement Council, Business Assistance Center, the Associations of Cities and Counties, and local jurisdictions on tax issues and to provide information and assistance. The agency also continues to work with the Indian Tribes on tax issues through the Tribal Relations Team.

The Unified Business Identifier (UBI) committee continues to meet to improve services to the business community. The committee is currently working with the participating agencies (Department of Revenue, Labor & Industries, Employment Security, Secretary of State, and Department of Licensing) on an Internet application for submitting the Master Application.

## **WORKING TOGETHER WITH CUSTOMERS**

In the property tax arena, efforts at facilitating intercounty communication continue. The Department provides an accreditation and continuing education program for appraisers and auditors. Assistance is also provided in the areas of levies, current use, boards of equalization, property assessment, and complex appraisals and audits.

The Department works with a variety of associations and customer groups to enhance the understanding of tax law and promote positive relationships. These groups include small business focus groups and trade organizations. The Department also enjoys a good working relationship with the American Bar Association whose members represent many of the larger taxpayers.

To further sound tax policy, the Department provides assistance and expertise to various efforts being conducted by the Legislature and the Governor's Office.

## **TAXPAYER RIGHTS ADVOCATE AND ISSUE RESOLUTION**

Several years ago, the Department sponsored legislation that outlined taxpayer rights and responsibilities. As a result of the legislation, the Department created a Taxpayer Rights Advocate position to provide taxpayers with an alternative route of resolving issues and to help ensure awareness of their rights and responsibilities. Information is provided to internal and external customers on proper appeal procedures, or how to pursue tax issue resolution through the advocate position.

## **TAXPAYER SURVEYS AND PARTICIPATION**

The Department employs various techniques, including taxpayer surveys, that help assess the varying needs of customers and determine how efficiently and effectively the Department operates. The Taxpayer Satisfaction survey is conducted every three years and contains questions regarding all areas of the Department's operations. Feedback from the survey is analyzed and actions are taken to improve the agency's operations.

Others means of soliciting input include having taxpayers participate on committees to resolve specific issues or discuss policy matters. Taxpayers have also been asked to participate on focus groups and panel discussions. The Department also conducts more focused surveys targeting specific activities such as the New Business Outreach

## Current and Ongoing Initiatives

workshops. Mini surveys are also administered in areas such as the Telephone Information Center to determine satisfaction levels with the particular service. Feedback is also obtained through the Internet by use of a survey on the agency home page.

Meetings and study efforts have also been conducted with specific industries to discuss tax issues of importance to them and gather ideas for improvements and possible legislative proposals.

The Department also provides representatives to meet with businesses considering locating or expanding their business in Washington. These representatives help determine if the business qualifies for any special programs and assist in furthering the business' understanding of Washington's tax system.

The Department is attempting to resolve taxation issues between state and tribal governments through negotiation. Following the spirit of the 1989 Centennial Accord, the Department has been discussing cigarette tax agreements with several tribes. In addition, the Department is reviewing all tax rules-pertaining to transactions that occur within the boundaries of tribal reservations.

# Make Conducting Business as Simple as Possible for our Customers and Employees

**STRATEGY:** *Make it easier for taxpayers to file and pay their taxes.*

**INITIATIVE:** Alternative Use Tax Reporting and Payments

**BACKGROUND:** Taxpayers have come to the Department asking for the ability to reduce the administrative burden involved in paying use tax on purchases. They have requested the ability to pay use tax using a formulary approach rather than examining each invoice provided by their vendors. As a result, the Department's Audit Division sponsored a quality team to examine this issue.

The results of the quality team's efforts indicate that it is feasible for the Department to offer the formula option to paying use taxes but not the direct payment option for use taxes.

**SOLUTION:** Implement a pilot program that allows businesses to pay use taxes based on a formula driven approach rather than actual vendor invoices. Evaluate the results of the pilot program to assess whether or not to put the program into practice.

Other states have implemented this practice or have permitted direct pay payments.

**LEAD  
DIVISION(S):** Audit

**PARTICIPATING  
DIVISION(S):** Audit, Legislation and Policy, Taxpayer Account Administration

**START DATE:** July 2000  
**FINISH DATE:** June 2002

# Make Conducting Business as Simple as Possible for our Customers and Employees

|                                       |   |
|---------------------------------------|---|
| <b>STRATEGY:</b>                      | <i>Make it easier for taxpayers to file and pay their taxes.</i>  |
| <b>INITIATIVE:</b>                    | Combined Filing with Employment Security and Labor and Industries   |
| <b>BACKGROUND:</b>                    | Currently, a business that reports to the Department of Revenue, the Department of Employment Security, and the Department of Labor and Industries receives returns from all three agencies. The business then must complete each return separately, and file and pay each return to the respective three agencies.   |
| <b>SOLUTION:</b>                      | <p>The Department will participate with the Department of Labor and Industries, which is currently the lead agency, and Employment Security to study the potential use of the Internet to create a combined electronic filing process for all three agencies.</p> <p>The study is a three-phase study:</p> <ul style="list-style-type: none"><li>◆ Phase one is to create an online “Washington Tax Center” Web presence. This will likely be a common link for agency applications to a new Access Washington Web page.</li><li>◆ Phase two is to assess the value and costs to businesses and the state. This will include the identification of businesses that have activity with two or more of the agencies participating in this project. Strategies and processes for gathering input from the business community will be developed, and business expectations and needs identified. At the conclusion of Phase two, a go/no go decision will be made.</li><li>◆ Phase three is to develop and implement significant enhancements as identified in phase two. This phase includes the development, testing and roll out of the combined filing application.</li></ul> |
| <b>LEAD<br/>DIVISION(S):</b>          | Taxpayer Account Administration   |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Taxpayer Account Administration, Information Services, Taxpayer Services, Audit, Compliance, Special Programs   |
| <b>START DATE:</b>                    | In-progress   |
| <b>FINISH DATE:</b>                   | June 2004   |

# Make Conducting Business as Simple as Possible for our Customers and Employees

**STRATEGY:** *Make it easier for taxpayers to file and pay their taxes.*

**INITIATIVE:** Electronic Filing and Payment Matching Systems

**BACKGROUND:** To provide customers with a better way to file and pay their returns accurately and conveniently, and increase tax processing efficiency, the Department implemented an Electronic Filing system (ELF). The effort was divided into four phases. In phase one, the Department determined that customers wanted, and would use, electronic filing. Phase two confirmed that an electronic filing system could be built. In phase three a system was developed and put into full-scale production. The Department is now at phase four – enhancements to the current system.

Acceptance of alternative forms of payment (credit card, electronic check, etc.) is critical to the overall success and acceptance of ELF and other electronic systems. Currently, only ACH debit is allowed as a payment option with electronic filing. However, staff is currently working on the acceptance of a credit card that is scheduled to be implemented in mid-2000. Enhancements to the Electronic Payment Management System will also be required to implement other payment options as they are employed with current or new filing options.

**SOLUTION:** To increase system usability by taxpayers, the Department needs to continue with ELF phase four. This will include implementation of the enhancement list that has been assembled as a result of process review and customer input. Major efforts will include, but will not be limited to, the implementation of credit cards, expansion of the taxpayer profiles to include additional items such as manufacturing, and providing taxpayers the ability to file annual returns via ELF.

Continue to develop the Electronic Payment Matching System to enable acceptance of payments by credit cards, debit cards, and E-checks. Ultimately, the system should be able to accept, identify, and track electronic payments from multiple sources and for multiple methods of filing. This will include payment for returns, receivables, and multiple tax types.

## **LEAD**

**DIVISION(S):** Taxpayer Account Administration, Financial and Employee Services

## **PARTICIPATING DIVISION(S):**

All Divisions

**START DATE:** In-progress

**FINISH DATE:** Ongoing

# Make Conducting Business as Simple as Possible for our Customers and Employees

|                                       |  |
|---------------------------------------|--|
| <b>STRATEGY:</b>                      | <i>Make it easier for taxpayers to file and pay their taxes.</i>   |
| <b>INITIATIVE:</b>                    | Electronic Funds Transfer for Partial Payments   |
| <b>BACKGROUND:</b>                    | Currently, when a taxpayer enters into a Partial Payment Agreement (PPA) to pay their tax liability, they have to send or bring cash or checks to a field office location. They do not have the ability to make an electronic funds transfer directly out of their checking account when making partial payments. Without this capability, there are increased payments received in field offices, increased handing of cash, defaults on checks, and inefficient administration of taxpayer accounts. |
| <b>SOLUTION:</b>                      | Develop the capability for taxpayers to make partial payments on their outstanding tax liability directly from their checking account to the Department's bank. This will reduce the number of payments received, logged, and processed in field offices, improve on the default rate of checks, reduce cash handling, and reduce the administration necessary for taxpayer accounts.  |
| <b>LEAD<br/>DIVISION(S):</b>          | Compliance   |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Compliance, Financial and Employee Services, Taxpayer Account Administration, Information Services   |
| <b>START DATE:</b>                    | In-progress  |
| <b>FINISH DATE:</b>                   | January 2001   |

# Make Conducting Business as Simple as Possible for our Customers and Employees

|                                       |  |
|---------------------------------------|--|
| <b>STRATEGY:</b>                      | <i>Make it easier for taxpayers to file and pay their taxes.</i>   |
| <b>INITIATIVE:</b>                    | Excise Tax Deduction Detail Simplification Study   |
| <b>BACKGROUND:</b>                    | <p>Taxpayers are currently required to report an array of tax deductions on their Combined Excise Tax Return. The Department uses the information when analyzing or researching tax information for research purposes.</p> <p>Reporting and tracking tax deductions is burdensome. Many of the deductions are difficult and costly for the taxpayer to track. Frequently, the taxpayer will forget to include the deduction detail on the tax return. This necessitates a review of the tax return by an Excise Tax Examiner who then contacts the taxpayer to obtain the information.</p> |
| <b>SOLUTION:</b>                      | Conduct a study with the goal of simplifying or eliminating the requirements for reporting deduction detail on the Combined Excise Tax Return. The effort should focus on benefiting both taxpayers and the Department by reducing the time and money spent on reporting, capturing, and maintaining the information.  |
| <b>LEAD<br/>DIVISION(S):</b>          | Taxpayer Account Administration  |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Taxpayer Account Administration, Research, Audit, Compliance   |
| <b>START DATE:</b>                    | September 2000   |
| <b>FINISH DATE:</b>                   | June 2001  |

# Make Conducting Business as Simple as Possible for our Customers and Employees

**STRATEGY:** *Make it easier for taxpayers to file and pay their taxes.*

**INITIATIVE:** Telefiling

**BACKGROUND:** The 1998 Strategic Business Plan provided for the study of alternative payment and filing “methods” including the use of the telephone for filing and paying taxes. During the study, the Department found that many states had already implemented this filing method with tremendous success. The IRS, the national lead on alternative filing methods, has also been successful with the implementation of telefiling. Several million federal taxpayers now annually use telefiling. The study concluded with a recommendation that the Department move forward with implementation of a telefiling program. In addition, recent developments that open up the option of payment by credit card now makes telefiling a viable program.

**SOLUTION:** Implement telefiling as a filing and payment option using telephone technology.

Initially, telefiling will be offered to those taxpayers wishing to use telefiling for the filing and payment of Sales Tax Remittance returns. Once telefiling is implemented for this return, the Department will study the feasibility of expanding the program to other tax filings or remittances.

**LEAD  
DIVISION(S):** Taxpayer Services

**PARTICIPATING  
DIVISION(S):** Taxpayer Services, Taxpayer Account Administration, Information Services, Financial and Employee Services

**START DATE:** In-progress

**FINISH DATE:** January 2001



# Make Conducting Business as Simple as Possible for our Customers and Employees

|                                       |  |
|---------------------------------------|--|
| <b>STRATEGY:</b>                      | <i>Reduce taxpayer and agency administrative complications by simplifying tax laws and rules.</i>  |
| <b>INITIATIVE:</b>                    | Dedicated Taxes Study  |
| <b>BACKGROUND:</b>                    | Currently, the Department administers a number of taxes dedicated to funding specific purposes, or state functions. These dedicated taxes tend to be inconsistent in providing revenue, difficult and costly for the Department to administer, and sometimes raise constitutional or other legal issues.   |
| <b>SOLUTION:</b>                      | Conduct a study that would examine and report on alternative tax structures, methods, or processes that could be utilized to restructure, combine or eliminate dedicated taxes. The report generated by the study would provide alternative methods of taxation in order to provide a broad-based source of revenue for purposes that were previously obtained through dedicated taxes. The report would be used to advocate sound and efficient tax administration and possibly result in agency request legislation. |
| <b>LEAD<br/>DIVISION(S):</b>          | Legislation and Policy   |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Legislation and Policy, Research, Taxpayer Account Administration, Audit, Information Services, Taxpayer Services  |
| <b>START DATE:</b>                    | August 2000  |
| <b>FINISH DATE:</b>                   | June 2001  |

# Make Conducting Business as Simple as Possible for our Customers and Employees

|                                       |  |
|---------------------------------------|--|
| <b>STRATEGY:</b>                      | <i>Reduce taxpayer and agency administrative complications by simplifying tax laws and rules.</i>  |
| <b>INITIATIVE:</b>                    | Sales Tax Resale and Exemption Administration  |
| <b>BACKGROUND:</b>                    | <p>In Washington, there is a sales tax on the purchase of goods for consumption. However, if goods are being purchased with the intent to resell them, this is considered a wholesale transaction and no sales tax is applicable. It is up to the seller to obtain a resale certificate from the purchaser attesting that he or she is going to use the goods in a resale transaction. This relieves the seller from collecting and remitting sales tax on the sale to the state where purchased.</p> <p>The paperwork associated with the resale certificate and other sales tax exemptions can be very complex, especially if the business sells its products in several states with sales tax requirements that have varying regulations concerning resale.</p>                       |
| <b>SOLUTION:</b>                      | <p>For over a year, the Department has participated in the Northwest Regional Sales Tax Pilot Project. As a result of this involvement, the Department successfully put forth legislation requiring the coordination of local sales and use tax changes. The Northwest Regional Sales Tax Pilot Project has formed three new subcommittees to study certain issues. Each subcommittee is co-chaired by a business representative and a government representative. The agency has been asked to co-chair a subcommittee to study issues related to sales tax resale certificates and exemption processing. One of the major goals of the sub-committee is to reduce the complexities of administering resale certificates and other exemptions for both taxpayers and the Department.</p> |
| <b>LEAD<br/>DIVISION(S):</b>          | Taxpayer Services  |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Taxpayer Services, Executive, Legislation and Policy, Audit, Taxpayer Account Administration   |
| <b>START DATE:</b>                    | In-progress  |
| <b>FINISH DATE:</b>                   | Ongoing  |

# Make Conducting Business as Simple as Possible for our Customers and Employees

|                                       |   |
|---------------------------------------|---|
| <b>STRATEGY:</b>                      | <i>Identify areas where taxpayer education is needed and provide targeted outreach and assistance.</i>  |
| <b>INITIATIVE:</b>                    | Targeted Education  |
| <b>BACKGROUND:</b>                    | <p>As part of the agency's voluntary compliance efforts over the last several years, the Department has conducted various targeted education efforts in an attempt to provide meaningful assistance to industries needing more specific information. These targeted efforts have included special notices addressing use tax issues for the hospitality and health services industries, construction industry workshops and The Construction Tax Guide, and manufacturing machinery and equipment exemption workshops.</p> <p>The results of the Department's targeted education efforts show that taxpayers receiving targeted information are more likely to properly report their taxes.</p> |
| <b>SOLUTION:</b>                      | <p>With the assistance of the Research Division, identify those industries that would benefit from targeted education. After identifying such industries, develop industry specific reporting guides/reference materials to provide reporting information based on in-depth knowledge of industry business practices, accounting methods, audit procedures, and current tax policy.</p> <p>Taxpayer Services will explore innovative ways in which to deliver future targeted education efforts. Examples include: videos, CDs, online guides and tutorials and greater use of the Internet to provide industry-specific information.</p>   |
| <b>LEAD<br/>DIVISION(S):</b>          | Taxpayer Services   |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Taxpayer Services, Research, Audit, Compliance, Taxpayer Account Administration, Legislation and Policy   |
| <b>START DATE:</b>                    | July 2000   |
| <b>FINISH DATE:</b>                   | Ongoing   |

# Make Conducting Business as Simple as Possible for our Customers and Employees

**STRATEGY:** *Deliver enhanced service via the Internet considering security, accessibility, and cost-effectiveness.*

**INITIATIVE:** Electronic Agency Rule Files

**BACKGROUND:** Since 1988, the agency has been required by statute to maintain a file for each rule it proposes or adopts. These files must be available for public inspection. The files are to contain all information used in the rulemaking process including all comments, petitions, submissions, and requests that pertain to a particular rule.

The Legislation and Policy Division currently maintains the rule files and stores them in three large file cabinets. Rule files have an indefinite retention schedule and are kept forever. Public access to the files is only at the division's Olympia office and therefore is extremely limited. A staff person using a copy machine must generate requested copies of files when a public request comes in. This is an inefficient and costly process due to the use of staff time, paper use and mailing costs.

**SOLUTION:** Image all rule files and make them available electronically to the public and agency staff.

**LEAD  
DIVISION(S):** Legislation and Policy

**PARTICIPATING  
DIVISION(S):** Legislation and Policy, Information Services

**START DATE:** July 2000  
**FINISH DATE:** June 2001

# Make Conducting Business as Simple as Possible for our Customers and Employees

**STRATEGY:** *Deliver enhanced service via the Internet considering security, accessibility, and cost-effectiveness.*

**INITIATIVE:** Geographic Information System

**BACKGROUND:** The Department of Revenue currently collects and administers more than \$1.5 billion in local taxes for over 340 taxing jurisdictions. This includes cities, counties, public transit benefit areas, and the Regional Transit Authority. To identify and distribute the local tax revenue back to the proper jurisdiction, the Department requires businesses to code local sales and use taxes by taxing jurisdiction.

The error rate when coding local taxes can be as high as 30% for some businesses. The high error rate is that the local coding structures are complex and difficult to apply correctly, especially when businesses sell goods and services at multiple locations. This situation is made even more complex because of overlapping taxing jurisdictions and more frequent tax jurisdiction boundary changes due to annexations and incorporations.

In an effort to address this problem, the Department developed the first Geographic Information System (GIS) in the nation to be used specifically for excise tax purposes. In Phase one of the GIS project, the Department developed an Internet application for a look up table and a map. Users can now access the application on the Department's Internet web site to obtain the correct tax code and tax rate for specific locations. Users can also download information on the boundaries of different tax jurisdictions or address data. For example, a user can download all the addresses, tax codes, and tax rates for a county or group of counties.

However, there are some challenges that must be addressed if GIS is to continue to meet the needs of users. Currently, not all addresses entered into the application get a match. This problem results from users typing in their address incorrectly, typing the address with a format that the GIS does not recognize, or using a P.O. Box or Rural Route address. When this happens, the Internet directs the user to contact the Department for assistance.

Businesses, such as telephone companies, do business in multiple jurisdictions and face the challenge of correctly coding each account. They would like to integrate the GIS tabular data into their billing systems so that the billing address would be correctly coded. In order to do this, an application needs to be written that allows communication between their systems and the Department's GIS web server. The Department has developed an initial proof of concept but it needs to be designed and developed to meet long term needs.

## Make Conducting Business as Simple as Possible for our Customers and Employees (continued)

**SOLUTION:**

Implement Phase two consisting of the following initiatives:

1. Develop an application for the GIS that will guarantee that the system will return a tax code and tax rate to the user even if the system did not find an exact match on their address. This application will incorporate user interaction and internal computer logic to link the database lookup and the map and match the address to the tax rate and tax code.
2. Work cooperatively with volunteer businesses that have billings in multiple jurisdictions on a monthly basis, such as AT&T Wireless or leasing companies, to design, develop and test a business application that the Department will develop. The option will then be offered to businesses via the Internet.

**LEAD****DIVISION(S):**

Taxpayer Account Administration

**PARTICIPATING****DIVISION(S):**

Taxpayer Account Administration, Information Services

**START DATE:**

In-progress

**FINISH DATE:**

June 2005

# Make Conducting Business as Simple as Possible for our Customers and Employees

|                                       |   |
|---------------------------------------|---|
| <b>STRATEGY:</b>                      | <i>Deliver enhanced service via the Internet considering security, accessibility, and cost-effectiveness.</i>   |
| <b>INITIATIVE:</b>                    | Interactive, Fill-in Forms  |
| <b>BACKGROUND:</b>                    | The Department's shift towards a paperless environment has resulted in the development of a number of electronic systems, such as Electronic Filing, Integrated Document Systems, the Online Training System, etc. In addition, the Department developed the E-Forms Repository as a part of the July 1998 - June 2005 Strategic Business Plan. Forms currently residing in the E-Forms Repository are in Microsoft template format and have limited online capabilities. Limitations include an inability for "intelligent" programming and a lack of user friendly features for both the developer and user. In addition, processing problems occur because diverse print-drivers can cause the information to "shift" on the page. |
| <b>SOLUTION:</b>                      | Develop and implement an interactive, fill-in form program allowing taxpayers and employees an alternative method for completing agency forms. This initiative builds on the current Electronic Forms Repository project.   |
| <b>LEAD<br/>DIVISION(S):</b>          | Taxpayer Services   |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | All Divisions   |
| <b>START DATE:</b>                    | In-progress   |
| <b>FINISH DATE:</b>                   | March 2001  |

# Make Conducting Business as Simple as Possible for our Customers and Employees

|                                       |  |
|---------------------------------------|--|
| <b>STRATEGY:</b>                      | <i>Deliver enhanced service via the Internet considering security, accessibility, and cost-effectiveness.</i>  |
| <b>INITIATIVE:</b>                    | Internet Excise Tax Database Query   |
| <b>BACKGROUND:</b>                    | <p>The Research Division has developed an excise tax database with query capabilities on the agency's Intranet. This site provides information to employees that is not available, or only partially available, from other Department of Revenue sources. The excise tax database contains local sales and use tax, business and occupation tax, and state retail sales tax data. By using the query tools provided, users may create aggregated tax information by any combination of SIC and location information that is releasable to the public.</p> <p>Although most of the Department's statistical publications are on the Internet, the public does not have the same query capabilities as agency employees. The public now has to contact the Research Division for compiling data into individualized reports.</p> |
| <b>SOLUTION:</b>                      | Build an Internet excise tax database with query capabilities that allows the general public access to disclosable tax data.   |
| <b>LEAD<br/>DIVISION(S):</b>          | Research   |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Research, Information Services   |
| <b>START DATE:</b>                    | July 2000  |
| <b>FINISH DATE:</b>                   | October 2000   |



# Make Conducting Business as Simple as Possible for our Customers and Employees

|                                       |  |
|---------------------------------------|--|
| <b>STRATEGY:</b>                      | <i>Deliver enhanced service via the Internet considering security, accessibility, and cost-effectiveness.</i>  |
| <b>INITIATIVE:</b>                    | Web Site Evaluation for Optimal Utilization  |
| <b>BACKGROUND:</b>                    | <p>The Department's Internet Web site is a vital communication and business tool. Use of the Internet has the potential to become an even greater information resource and vehicle to provide greater service to taxpayers and employees. Since the initial launch, use has grown from about 3,000 hits to approximately 1.1 million hits each month. During the past five years, 6,000 pages of information have been posted along with several complex applications in an attempt to meet the demand for online information and services.</p> <p>The exponential growth of the Internet has created both an opportunity and a challenge to meet public, taxpayer, and employee expectations for information and service delivery. The agency believes fully expanding the use of the Internet will maximize agency resources.</p> <p>A group of employees is currently reviewing the following: information provided through the Internet Web site, users' ability to access information, processes for on-going maintenance, and surveying to determine users' needs.</p> |
| <b>SOLUTION:</b>                      | Based on the group's findings and recommendations to the Internet Coordinators' Team, several enhancements to the agency's Web site will be made to meet taxpayers' and employees' needs, and to fully use the Internet's capabilities. Some of the enhancements may include: providing industry-specific information with one click of the mouse, creating online tutorials, providing industry-specific reference guides, adding job bulletins, and providing forms in the "fill-in" format.   |
| <b>LEAD<br/>DIVISION(S):</b>          | Taxpayer Services, Information Services  |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | All Divisions  |
| <b>START DATE:</b>                    | In-progress  |
| <b>FINISH DATE:</b>                   | On-going   |

# Make Conducting Business as Simple as Possible for our Customers and Employees

**STRATEGY:** *Improve taxpayers' understanding of tax reporting responsibilities.*

**INITIATIVE:** Rule Writing and Review

**BACKGROUND:** Since their inception in the early 1900s, tax laws and rules have become increasingly complex. Over time, the tax laws have been amended and re-amended numerous times and have resulted in a hard to understand tax code. The Department is committed to writing clear, concise, and easy to understand rules based on statute.

**SOLUTION:** To enhance the clarity of rules, the Department will:

- (1) Require a course in clear rule writing for staff with significant rule writing responsibility to be taken by December 2000.
- (2) Revise the Administrative Rule Writer's Manual for increased emphasis on standard formats, structures that assist understanding, and best use of examples.
- (3) Pilot review of seven draft excise tax and seven draft property tax rules by a panel selected for writing review rather than tax application expertise. This review would be in addition to all regular rule reviews now undertaken.

**LEAD  
DIVISION(S):** Legislation and Policy

**PARTICIPATING  
DIVISION(S):** Various

**START DATE:** July 2000

**END DATE:** June 2001

# Develop, Recruit, Retain and Value a High Quality, Diverse Workforce

**STRATEGY:** *Improve retention of qualified staff.*

**INITIATIVE:** Employee Turnover

**BACKGROUND:** Employers continue to wrestle with high attrition in a booming economy, as turnover rates have climbed to their highest levels in 20 years. The national average rate of turnover for the third quarter of 1999 exceeded 12%. (Source Bureau of National Affairs, Inc.)

Loss of qualified, high performance staff reduces overall productivity because of costs to recruit, hire, and train new staff. This is particularly acute in the case of specialized fields and situations in which an employee has specialized knowledge about a program, technical computer area, etc.

Unemployment is at a 25 year low. Competition for skilled human resource capital is intense in today's job market, increasing the difficulty of finding and attracting qualified staff at state pay rates and benefits.

**SOLUTION:** Identify reasons for turnover and take actions to improve employee retention by:

- ◆ Increasing efforts related to programs that have been shown by research to promote employee retention.
- ◆ Identifying and addressing specific elements within the Department that contribute to unnecessary turnover.
- ◆ Enhancing the Department as an employer of choice by increasing supervisory and managerial knowledge and capacity related to human resource management.
- ◆ Maximizing an employee-friendly, flexible work environment within the Department to enhance retention.

## **LEAD**

**DIVISION(S):** Financial and Employee Services

## **PARTICIPATING**

**DIVISION(S):** All Divisions

**START DATE:** July 2000

**FINISH DATE:** June 2002

# Develop, Recruit, Retain and Value a High Quality, Diverse Workforce

|                                   |  |
|-----------------------------------|--|
| <b>STRATEGY:</b>                  | <i>Increase the number of highly qualified and diverse candidates within the applicant pool.</i>   |
| <b>INITIATIVE:</b>                | Qualified and Diverse Candidate Recruitment  |
| <b>BACKGROUND:</b>                | Artificial barriers may exist that reduce the ability of qualified candidates to apply and be appointed to positions within the Department of Revenue. These barriers may relate to minimum job qualifications, recruitment, testing, screening, job structure or other employment related conditions. Barriers may also exist based on the basis of predominant organizational culture or traditional civil service processes or procedures that do not have a relationship to successful accomplishment of job responsibilities. These barriers reduce opportunities to increase diversity.  |
| <b>SOLUTIONS:</b>                 | <p>Expand the candidate pool numbers and diversity of job candidates by taking the following actions:</p> <ul style="list-style-type: none"><li>◆ Review minimum qualifications to ensure they actually represent minimum thresholds needed for successful job performance. Revise minimum qualifications or establish desired qualifications as appropriate.</li><li>◆ Assess test validity and modify testing process as appropriate.</li><li>◆ Train supervisors on objective interviewing and hiring techniques.</li><li>◆ Assess further use of college recruitment program, college internships, and in-training appointments to facilitate appointment of diverse candidates into underrepresented areas.</li></ul> |
| <b>LEAD DIVISION(S):</b>          | Financial and Employee Services  |
| <b>PARTICIPATING DIVISION(S):</b> | All Divisions  |
| <b>START DATE:</b>                | January 2001   |
| <b>FINISH DATE:</b>               | December 2001  |

# Develop, Recruit, Retain and Value a High Quality, Diverse Workforce

|                                   |  |
|-----------------------------------|--|
| <b>STRATEGY:</b>                  | <i>Expand employees' skills and knowledge through an array of training and developmental opportunities.</i>  |
| <b>INITIATIVE:</b>                | Alternative Training Methodologies   |
| <b>BACKGROUND:</b>                | The pace of change in today's work world drives a need for continuous learning and development by employees. Yet, increasing work demands make it more difficult for employees to be away from work to attend traditional classroom training. The opportunity exists to address this situation by making alternative training options available to employees that can be accessed at their worksite and used when convenient.  |
| <b>SOLUTION:</b>                  | <p>There are several training options the Department should consider. The following are actions the agency will assess in order to move forward with innovative training for staff:</p> <ul style="list-style-type: none"><li>◆ Identify alternative training and developmental methodologies now available (e.g. Internet based, CD ROM, satellite download).</li><li>◆ Determine the usability of methodologies within the Department's current technological infrastructure.</li><li>◆ Assess the costs and benefits that would be assumed by technological infrastructure upgrade that would facilitate the use of advanced methodologies.</li><li>◆ Work with the Department of Personnel and the Department of Information Services (DIS) to access and utilize available and developing alternative training methodologies (e.g. SmartForce through DIS).</li></ul> |
| <b>LEAD DIVISION(S):</b>          | Financial and Employee Services  |
| <b>PARTICIPATING DIVISION(S):</b> | Financial and Employee Services, Information Services  |
| <b>START DATE:</b>                | September 2000   |
| <b>FINISH DATE:</b>               | September 2001   |

# Develop, Recruit, Retain and Value a High Quality, Diverse Workforce

**STRATEGY:** *Expand employees' skills and knowledge through an array of training and developmental opportunities.*

**INITIATIVE:** Effective Supervisory Management

**BACKGROUND:** Effective management of staff at all levels of supervision contributes to productivity, employee morale, decreased turnover, and decreased liability risks from personnel related administrative actions and lawsuits. Increased service demands in a fast changing environment with declining staffing levels places a new premium and increased demands on effective supervision in order to promote productivity and employee morale. According to research conducted by Harvard Business Review, discontent with supervision and management is the leading cause of employee turnover. Personnel litigation is increasing in volume and costs according to the Washington Labor Letter.

Historically, the Department has tried to ensure supervisors have the ability to effectively carry out the responsibilities of their positions. These responsibilities include hiring, managing, leading, coaching, and developing staff as well as the ability to address and correct staff performance problems. However, even with previous efforts, emphasis on supervisory skills continues to be a priority. A consolidation of META 360 evaluations for Department supervisors who have taken the instrument over the last five years indicates general weaknesses in several areas. These include guidance, coaching, and evaluation. Ensuring the achievement and exercise of these key supervisory actions requires accountability and recognition for performance.

**SOLUTIONS:** To enhance supervisor's effectiveness, the Department will take the following actions:

- ◆ Implement Employee Development and Performance Plan training as one of the Department's supervisory modules;
- ◆ Establish a "hiring practices" class;
- ◆ Promote training for supervisors on informal recognition practices;
- ◆ Promote use of the META 360 program;
- ◆ Establish desired core of supervisory training/development actions and a recognition process for supervisors who complete this core training; and,
- ◆ Establish general Supervisory Standards and Expectations to be used in evaluation of supervisory staff.

**LEAD DIVISION(S):** Financial and Employee Services

**PARTICIPATING DIVISION(S):** All Divisions

**START DATE:** July 2000

**FINISH DATE:** September 2001

# Develop, Recruit, Retain and Value a High Quality, Diverse Workforce

|                                   |   |
|-----------------------------------|---|
| <b>STRATEGY:</b>                  | <i>Upgrade the workplace environment in order to foster productivity, creativity, and innovation.</i>   |
| <b>INITIATIVE:</b>                | Workplace Environment   |
| <b>BACKGROUND:</b>                | Research demonstrates that employees are most productive in a workplace that provides them with the tools necessary to do their jobs, and in meets physical, social, and personal needs. Maximizing the utilization of available resources to achieve this environment increases productivity and contributes to employee retention.  |
| <b>SOLUTION:</b>                  | <p>To improve the agency's workplace environment, the Department will take the following actions:</p> <ul style="list-style-type: none"><li>◆ Identify performance obstacles represented by lack of proper equipment and software and develop prioritized acquisition and distribution plans.</li><li>◆ Assess opportunities to improve the physical appearance of workplace surroundings and create an atmosphere of professionalism that reflects a high quality organization.</li><li>◆ Conduct an ergonomic assessment of employee workstations where needed and implement measures that will reduce workplace injuries and promote productivity.</li></ul> |
| <b>LEAD DIVISION(S):</b>          | Financial and Employee Services   |
| <b>PARTICIPATING DIVISION(S):</b> | All Divisions   |
| <b>START DATE:</b>                | January 2001  |
| <b>FINISH DATE:</b>               | June 2002   |





# Seek Efficiencies and Improvements in Agency Programs

|                                       |  |
|---------------------------------------|--|
| <b>STRATEGY:</b>                      | <i>Improve the timeliness of processing excise tax related data and information.</i>   |
| <b>INITIATIVE:</b>                    | Excise Tax Return Data Capture   |
| <b>BACKGROUND:</b>                    | <p>The agency has a processing and data capture goal of “48 and 10.” This means that all excise tax return data be captured within 48 hours of receipt and all corrections made within ten working days. Although the agency has made great strides toward meeting this goal, the Department is not yet there.</p> <p>Most returns are received by Taxpayer Account Administration as paper documents, which are batched, prepped, scanned, and delivered to Data Entry at a separate building location for keying data onto the Tandem system. Currently, certain indexing data for tax returns is captured by barcode technology with some integration of that data to the Tandem system with a high degree of accuracy. In addition, limited Optical Character Recognition (OCR) technology is being utilized in the data capture of Remittance Memorandum Documents.</p> <p>Outstanding issues surrounding the use of paper documents to capture data include:</p> <ul style="list-style-type: none"><li>◆ staffing resources to transport and receive the paper documents between the two locations,</li><li>◆ potential loss of documents during physical transportation, and</li><li>◆ degradation of the paper documents makes it hard to read, creating input errors.</li></ul> |
| <b>SOLUTION:</b>                      | <p><b>PHASE ONE:</b> Look at abilities, reliability, and costs associated with the various data capture technologies. Compare the results from the study with current processes or other alternative processes. The study will include:</p> <ul style="list-style-type: none"><li>◆ Review of Data Entry’s current process of capturing data from paper documents.</li><li>◆ Use of automatic data capture technologies such as OCR/ICR and 2-D Barcoding.</li></ul> <p><b>PHASE TWO:</b> Implement the results of the study.</p>  |
| <b>LEAD<br/>DIVISION(S):</b>          | Taxpayer Account Administration  |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Taxpayer Account Administration, Information Services, Financial & Employee Services, Taxpayer Services, Compliance, Audit   |
| <b>START DATE:</b>                    | <b>Phase one</b> – July 2000<br><b>Phase two</b> – January 2001  |
| <b>FINISH DATE:</b>                   | <b>Phase one</b> – December 2000<br><b>Phase two</b> – December 2001   |

## Seek Efficiencies and Improvements in Agency Programs

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| <b>STRATEGY:</b>                      | <i>Improve the time in which payment of full tax liability is received.</i>   |
| <b>INITIATIVE:</b>                    | Audit Assessment Tracking System  |
| <b>BACKGROUND:</b>                    | Currently, agency systems do not allow users the ability to track the ultimate disposition of all audit assessments. Information that should be tracked includes the issuance of the assessment, subsequent adjustments, collection, movement through the appeals process, and final payment. Access to this information would help improve audit selection and measure voluntary compliance. |
| <b>SOLUTION:</b>                      | <p>Create an audit assessment tracking system to follow audits from issuance to final collection. The system would provide information to:</p> <ul style="list-style-type: none"><li>◆ enhance audit selection,</li><li>◆ estimate cash flow, and</li><li>◆ view a “point in time” aging of accounts receivable for all assessments.</li></ul>  |
| <b>LEAD<br/>DIVISION(S):</b>          | Audit   |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Audit, Research, Financial and Employee Services, Information Services, Taxpayer Account Administration, Compliance, Appeals  |
| <b>START DATE:</b>                    | In-progress   |
| <b>FINISH DATE:</b>                   | June 2001   |

# Seek Efficiencies and Improvements in Agency Programs

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|---------------------------------------|---|
| <b>STRATEGY:</b>                      | <i>Improve the time in which payment of full tax liability is received.</i>   |
| <b>INITIATIVE:</b>                    | Estimated Tax Assessment Process Study  |
| <b>BACKGROUND:</b>                    | <p>A written determination by the Appeals Division caused the Compliance Division to review the process associated with issuance of estimated tax warrants. The review noted that when a taxpayer fails or refuses to file a tax return, the Department must issue an assessment with a due date 30 days from the date of issuance. The review also noted the Department must wait 15 days after any fee, tax, or penalty becomes due before a tax warrant can be issued. The review concluded that estimated warrants did not follow the statutes. The compliance assessment was then created with the result being the addition of 45 days to the collection process. This delays the time in which full payment of the tax liability is received and adversely impacts the reduction of receivables.</p> |
| <b>SOLUTION:</b>                      | <p>Conduct a study of the assessment process for estimating tax returns by the Compliance Division. Specifically, the study will look at the following areas:</p> <ul style="list-style-type: none"><li>◆ Potential legislative changes to enhance the collection of state receivables and deter tax loss, such as shortening the thirty day due date for compliance assessments or elimination of the current assessment requirement.</li><li>◆ Expanded use of jeopardy assessments.</li><li>◆ Earlier and/or automated issuance of compliance assessments.</li></ul>   |
| <b>LEAD<br/>DIVISION(S):</b>          | Compliance, Taxpayer Account Administration   |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Compliance, Attorney General, Legislative and Policy, Special Programs, Taxpayer Account Administration   |
| <b>START DATE:</b>                    | July 2000   |
| <b>FINISH DATE:</b>                   | September 2000  |

# Seek Efficiencies and Improvements in Agency Programs

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|-----------------------------------|---|
| <b>STRATEGY:</b>                  | <i>Enhance management information to enable more informed decision making by agency management.</i>   |
| <b>INITIATIVE:</b>                | Financial Information System  |
| <b>BACKGROUND:</b>                | <p>Management needs current, accurate information to effectively manage their programs and the agency. The Financial Management Office also needs quick access to accurate information to assist management and respond to inquiries for information. With better tools to plan, develop and track budget information, the Financial Management Section and agency management can more effectively plan, allocate, and utilize agency resources.</p> <p>Previous efforts to improve financial systems include the development of the online budget status system, online travel reimbursement system, interface of tax refund systems with the statewide financial system, and placement of division performance measures on the local area network.</p> <p>Future possibilities for improved systems include:</p> <ul style="list-style-type: none"><li>◆ creation of an interactive environment for divisions to prepare budget and allotment information with the budget office;</li><li>◆ a dynamic salary projection system accessible by all divisions;</li><li>◆ the provision of timely revenue estimate and collection information in a usable format; and</li><li>◆ easy access to statistical financial information and other performance measures.</li></ul> <p>Continued automation of financial systems also supports the possible migration to agency-based financial systems that feed summary information into statewide systems for financial reporting, cash management and control.</p> |
| <b>SOLUTION:</b>                  | Re-evaluate management priorities for enhancing financial systems and information within the agency. Once priorities are identified, determine an implementation strategy and begin development on a project by project basis.  |
| <b>LEAD DIVISION:</b>             | Financial & Employee Services   |
| <b>PARTICIPATING DIVISION(S):</b> | All Divisions   |
| <b>START DATE:</b>                | October 2000  |
| <b>FINISH DATE:</b>               | June 2005   |

# Seek Efficiencies and Improvements in Agency Programs

**STRATEGY:** *Enhance business information to enable more informed decision making by agency management.*

**INITIATIVE:** Data Warehouse, Mining, and Query

**BACKGROUND:** Business Intelligence is the use of information produced by and captured within business processes to enhance the operations of the business. Business Intelligence describes the organization's ability to access, explore and analyze information contained in a data warehouse to develop insights and understanding. This leads to more informed decision making process.

The agency initiated a data warehousing and mining study in the fall of 1999. As an initial step, a study team undertook a demonstration pilot to fully understand and evaluate the usefulness of Business Intelligence technology. As part of the pilot, Information Services staff created a small data mart. The pilot project then focused on the development of alternative audit selection criteria to demonstrate enhanced predictive capabilities through the use of sophisticated data mining software. While the primary focus was on the mining efforts by Research staff, a group of end users from other divisions also utilized the data mart to evaluate the use of query and reporting tools that will allow for more efficient access to and analysis of business data.

**SOLUTION:** Make an agency commitment to information-driven decisions. Develop an agency-wide data warehouse. Acquire appropriate front-end tools for mining, querying, and analysis. Train people in their use and understanding of data.

**LEAD  
DIVISION(S):** Audit, Research, Information Services

**PARTICIPATING  
DIVISION(S):** All Divisions

**START DATE:** September 2000  
**FINISH DATE:** July 2005

## Seek Efficiencies and Improvements in Agency Programs

|                                       |   |
|---------------------------------------|---|
| <b>STRATEGY:</b>                      | <i>Enhance organization efficiency through process improvements of existing systems.</i>  |
| <b>INITIATIVE:</b>                    | Alternative Audit Method - Managed Audits   |
| <b>BACKGROUND:</b>                    | <p>The process of conducting an audit of business records is, by its very nature, intrusive on a business' activities. The Audit Division is committed to reducing this impact on businesses, while still providing education on proper reporting to enhance voluntary reporting and payment of taxes. A quality team, sponsored by the Audit Division, has been reviewing alternative audit methods to help achieve these goals. One recommendation that came out of this review was the concept of a "managed" audit.</p> <p>The concept behind a managed audit program is to offer selected businesses an opportunity to conduct all or a portion of the audit of their business. The business will be given instructions on what needs to be examined and how the results need to be presented to a Department auditor. The business will then have a specified period of time to conduct the audit according to their own schedule. When the business' work is complete, the agency auditor will then review the work for accuracy. For participating in this effort the business will have up to \$5,000 of interest waived that would apply to any resulting tax assessment.</p> |
| <b>SOLUTION:</b>                      | Conduct "managed audits" as appropriate to reduce the amount of time an auditor is present at a business location and to get the business' employees more involved so they will fully understand their reporting requirements.  |
| <b>LEAD<br/>DIVISION(S):</b>          | Audit   |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Audit, Research   |
| <b>START DATE:</b>                    | July 2000   |

# Seek Efficiencies and Improvements in Agency Programs

**STRATEGY:** *Enhance organization efficiency through process improvements of existing systems.*

**INITIATIVE:** Centrally Assessed Property System

**BACKGROUND:** The Utilities Program is responsible for the unitary valuation of national and international corporations and the allocation of those values to each taxing district. A significant amount of data must be initially submitted by the companies to allow for adequate valuation analysis. Even more information is transferred back and forth in determining the allocation of value to each of more than 3,000 taxing districts statewide. The Utility Section has been involved with Information Services in the development of a Centrally Assessed Property System (CAPS) for more than eight years.

The project began in the early 1990s. During Phase one, many changes were made to the old system including: old languages upgraded to contemporary languages, reporting and queuing functions expanded, and improved file and printer sharing through the local area network. Phase two of the project consisted of several months of full testing before final implementation. Phase three represents the final, and most significant implementation phase from the perspective of taxpayer usefulness. Failure to complete and implement this phase will leave the program with an internal process in a more current software platform than in the past (PC-based rather than IBM mainframe) but without the efficiencies and convenience characteristics that were part of the original intent more than eight years ago.

**SOLUTION:** Complete Phase three of the CAPS project. The three elements of this phase include:

- ◆ Link existing valuation databases to electronic maps to create a Geographic Information System (GIS);
- ◆ Provide Internet interface capabilities between the Department and taxpayers; and
- ◆ Build a system that allows for enhancements and software upgrades.

When complete, the program will allow valuations of centrally assessed properties to be submitted and allocated to tax code areas statewide. The Department will have search and identification capabilities for information on each company's values by taxing code district that far exceed current manual capabilities in both accuracy and response times. Companies will be able to submit annual information electronically which will be more efficient for them and for the Department.

## **LEAD**

**DIVISION(S):** Property Tax

## **PARTICIPATING**

**DIVISION(S):** Property Tax, Information Systems

**START DATE:** In-progress

**FINISH DATE:** July 2001

## Seek Efficiencies and Improvements in Agency Programs

**STRATEGY:** *Enhance organization efficiency through process improvements of existing systems.*

**INITIATIVE:** Financial and Employee Services Document Storage and Retrieval

**BACKGROUND:** The Financial and Employee Services Division engages in various administrative functions that involve processing and retention of large amounts of paper. The following priority list identifies the areas where utilization of imaging technology could reduce the time spent copying, filing and retrieving information contained on paper documents. They are: payroll files, personnel files (including grievance, affirmative action, accommodation, L&I and medical files), contracts, print requests, leases, personnel appeals, property taxes receivables, tax refunds, and miscellaneous Office Services, Cash Management, Employee Services and Financial Management files.

**SOLUTION:** Analyze and prioritize Financial and Employee Services document retention and retrieval needs and implement imaging technology. The priority of implementation will consider efficiency gains, ease of implementation, customer service, and other relevant factors.

**LEAD  
DIVISION:** Financial and Employee Services

**PARTICIPATING  
DIVISION(S):** Financial and Employee Services

**START DATE:** January 2001

**FINISH DATE:** December 2002



# Seek Efficiencies and Improvements in Agency Programs

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| <b>STRATEGY:</b>                      | <i>Enhance organization efficiency through process improvements of existing systems.</i>   |
| <b>INITIATIVE:</b>                    | Information Services Support Systems   |
| <b>BACKGROUND:</b>                    | <p>The Information Services Division has identified internal system development needs to improve efficiency, reduce costs, or assist in service delivery to customers. Current staffing levels in the division do not allow for the development of these additional efforts.</p> <p>The systems identified and prioritized for development or improvement include:</p> <ol style="list-style-type: none"><li>1) a Service Request/System Administrator System to provide a better management tool for programming priorities and planning;</li><li>2) a Tape Inventory Tracking System to better locate and recycle tapes and to support retention schedules;</li><li>3) a Runbook and Scheduling System in support of Production Control activities;</li><li>4) an Information Services Resource System to centralize information needed by both new and current employees;</li><li>5) a Work Order System that tracks agency-wide work order requests; and</li><li>6) a Production Quality Error (PQE) Report System used for tracking computer processing errors.</li></ol> |
| <b>SOLUTION:</b>                      | Provide programming time and staff to write internal support systems for the Information Services Division. These systems can help reduce duplicated efforts, reduce error rates in all areas, increase efficiency of staff time and effort, and provide better and more accurate management information.  |
| <b>LEAD<br/>DIVISION(S):</b>          | Information Services   |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | All Divisions  |
| <b>START DATE:</b>                    | July 2000  |
| <b>FINISH DATE:</b>                   | June 2005  |

# Seek Efficiencies and Improvements in Agency Programs

**STRATEGY:** *Enhance organization efficiency through process improvements of existing systems.*

**INITIATIVE:** Legislation and Policy Document Management System

**BACKGROUND:** The Legislative and Policy Division routinely responds to taxpayer and legislative correspondence. The correspondence is typically received from Executive, but, may also be received directly.

Incoming correspondence is manually logged for tracking purposes when received and when a response is mailed. This process does not cover e-mail requests unless the recipient specifically makes a request to the division's administrative assistant to log it in.

The current "manual" tracking system for the correspondence is cumbersome and incomplete. There is a need to update the system to ensure: (1) responses are made in a timely manner; and (2) employees have access to the information.

There is no work management system in place to allow users to have simultaneous access to documents, provide efficient tracking to determine the status of the correspondence at any point in time, or provide the ability for other divisions to easily access finalized documents.

**SOLUTION:** Implement system to image taxpayer and legislative correspondence and manage the workflow to meet the needs of the Legislation and Policy Division.

**LEAD  
DIVISION:** Legislation and Policy

**PARTICIPATING  
DIVISION(S):** Legislation and Policy, Financial and Employee Services, Taxpayer Services

**START DATE:** July 2000

**FINISH DATE:** June 2001

## Seek Efficiencies and Improvements in Agency Programs

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|---------------------------------------|---|
| <b>STRATEGY:</b>                      | <i>Enhance organization efficiency through process improvements of existing systems.</i>  |
| <b>INITIATIVE:</b>                    | PC Applications Update  |
| <b>BACKGROUND:</b>                    | <p>The agency is using PC applications to administer many program functions and activities. Several of these applications were written years ago using, what is now considered, outdated technology. Information Services is currently supporting 25 applications that are written in either RBASE, DBASE, Paradox DOS 3.5, Paradox Win 4.5, Perform Pro or Pro File 2.0. There are 12 applications written in old versions of Word, Access and Visual Basic that need to be updated. Each application written in outdated technology requires the Information Services Division use the old technology in order to respond to production problems and/or program required enhancements. To use staff in the most efficient manner possible and to reduce the number of technologies supported, all applications written in outdated technology need to be rewritten in current, standard software.</p> |
| <b>SOLUTION:</b>                      | <p>Convert old PC applications to software currently supported by the Information Services staff. This would decrease the number of skill sets required, allowing more flexibility in using staff to support the Agency's systems. This will increase levels of support and backup because of the standardization to uniform development tools. Training time is also minimized because only the application would need to be learned, not a whole new software language. This effort would decrease the number of platforms/technologies that Information Services is required to support and would provide consistency and standardization in the languages used to develop applications.</p>   |
| <b>LEAD<br/>DIVISION(S):</b>          | Information Services  |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | All Divisions   |
| <b>START DATE:</b>                    | In-progress   |
| <b>FINISH DATE:</b>                   | June 2002   |

# Seek Efficiencies and Improvements in Agency Programs

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| <b>STRATEGY:</b>                      | <i>Enhance organizational efficiency through process improvements of existing systems.</i>   |
| <b>INITIATIVE:</b>                    | Personnel System and Process Redesign  |
| <b>BACKGROUND:</b>                    | <p>The agency's Personnel System does not currently meet the needs of the management or employees. Since its inception, new requirements and regulations have been introduced in the personnel and payroll environment. The system is also being used as the major source of employee information to run other systems in the agency. These systems include the travel system, automated training registration system, security system, and others. The integration of systems, along with the fact the current system cannot handle current needs, creates the need for a complete rewrite of the existing system.</p> <p>Related to the current and future system capabilities is the need for a process review to ensure that all employee, supervisor, management and personnel and payroll professionals needs are met. Over the years, new programs have been introduced, such as Washington Management Service, in-training appointments, college recruitment program, and retirement and insurance coverage changes. These program changes, along with other administrative requirements, have made personnel and payroll processes very complex. Therefore, a review needs to be made of these processes to make the organization more efficient and in compliance with numerous regulations.</p> |
| <b>SOLUTION(S):</b>                   | <p><b>Part one</b> - Conduct a process review of personnel and payroll processes and recommend systems improvements. Recommendations may include:</p> <ul style="list-style-type: none"><li>◆ procedural changes,</li><li>◆ additional staff training in personnel and payroll issues and processes,</li><li>◆ automation of the Personnel Action Request form, and</li><li>◆ enhanced processes surrounding the hiring, payment, and termination of employees.</li></ul> <p><b>Part two</b> - Develop and implement a new, automated personnel system within the agency. Recommendations from the process review team should be used to develop a new personnel system that can meet the current and future needs of employees, supervisors, management, administrative assistants, and personnel payroll professionals.</p>  |
| <b>LEAD<br/>DIVISION:</b>             | Financial & Employee Services  |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | All Divisions  |
| <b>START DATE:</b>                    | Part one - July 2000, Part two – January 2001  |
| <b>FINISH DATE:</b>                   | Part one – December 2000, Part two – June 2002   |

# Seek Efficiencies and Improvements in Agency Programs

|                                       |  |
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| <b>STRATEGY:</b>                      | <i>Enhance organization efficiency through process improvements of existing systems.</i>   |
| <b>INITIATIVE:</b>                    | Property Tax Deferral System   |
| <b>BACKGROUND:</b>                    | <p>There are two problems with the current processing system. The Property Tax Deferral System is in an out-of-date software program. It has several problems and issues associated with it. They are:</p> <ul style="list-style-type: none"><li>◆ Difficulty retaining trained Information Services support.</li><li>◆ The system is becoming increasingly more vulnerable to failure.</li><li>◆ The software is located on only one personal computer with limited print capabilities. This limits the ability to leverage staff in providing better customer service and cross-training.</li><li>◆ The current program does not correctly calculate the equity component remaining in the residence values, which is needed to determine a maximal deferral amount.</li></ul> <p>In addition, the current paper filing process requires a significant amount of storage space and staff time spent filing and refiling.</p> |
| <b>SOLUTION:</b>                      | <p>Implement a storage and retrieval document management system for property tax deferral accounts and, system improvements that would include correcting data calculations and updating the software to an agency-consistent platform that allows for broader personal computer utilization.</p> <p>This will improve the Property Tax Division's ability to process and utilize the data associated with the Deferral Program.</p>   |
| <b>LEAD<br/>DIVISION(S):</b>          | Property Tax   |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Property Tax, Information Services, Financial and Employee Services  |
| <b>START DATE:</b>                    | In-progress  |
| <b>FINISH DATE:</b>                   | June 2001  |

## Seek Efficiencies and Improvements in Agency Programs

|                                       |   |
|---------------------------------------|---|
| <b>STRATEGY:</b>                      | <i>Enhance organization efficiency through process improvements of existing systems.</i>  |
| <b>INITIATIVE:</b>                    | Property Tax Exempt System  |
| <b>BACKGROUND:</b>                    | The Property Tax Exempt System and database were designed more than 15 years ago. The system's current functions need to be reengineered. This includes data accessibility, data views, system navigation, database querying, and integration requirements. The processes, procedures, and system screen and database interfaces, and the current business processes, functions and needs, need a thorough review and analysis. Under the present system, staff is unable to make changes as simple as improvements to taxpayer form letters.   |
| <b>SOLUTION:</b>                      | <p><b>Phase one</b> - Conduct a feasibility study to identify the costs/benefits for re-engineering the Property Tax Exempt System. The goal would be to use more state-of-the-art technologies to meet current business needs. The study should look at additional system functions such as different data views, ad hoc reporting features, a common look and feel with other in-house software (Graphical Screen Interface), data transfer capabilities and the ability to utilize and maximize Internet/Intranet capabilities if appropriate.</p> <p><b>Phase two</b> - Implement the recommendations contained in the feasibility study.</p> |
| <b>LEAD<br/>DIVISION(S):</b>          | Property Tax, Information Services  |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Property Tax, Information Services  |
| <b>START DATE:</b>                    | Study – July 2000<br>Implementation – January 2001  |
| <b>FINISH DATE:</b>                   | Study – January 2001<br>Implementation – January 2003   |

# Seek Efficiencies and Improvements in Agency Programs

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|-----------------------------------|--|
| <b>STRATEGY:</b>                  | <i>Enhance organization efficiency through process improvements of existing systems.</i>   |
| <b>INITIATIVE:</b>                | Purchasing, Payables, and Inventory System Automation  |
| <b>BACKGROUND:</b>                | The agency's purchasing, payables, and inventory systems are outdated, manually intensive, and in the case of a forms or supply inventory for the warehouse, non-existent. Updating these systems would help to improve organizational effectiveness through eliminating redundant efforts, reducing paper, and by allowing employees to work more efficiently.  |
| <b>SOLUTION:</b>                  | <p>Improve administrative efficiency through the development and implementation of the following three efforts.</p> <p><b>Effort number one - Study and implement a new purchasing system.</b> As part of the study, the team should consider business needs, available technologies (E-Forms, electronic systems, imaging, document management, and data capture) and the current effort being conducted by the Department of General Administration.</p> <p><b>Effort number two - Enhance accounts payable processes.</b> Currently, imaging technology is used to capture the image of payment documents once they reach Financial Management. The goal would be to expand the use of imaging or other related technology to incorporate the purchasing function on the front end. A second goal would be to incorporate data capture into the imaging process to automatically transmit accounting information to the statewide accounting system without having to re-key the information.</p> <p><b>Effort number three – Automate inventory systems.</b> The agency currently uses two separate inventory systems to track fixed assets; one to meet licensing and tracking requirements for software and personal computers, the other to officially track fixed assets for the agency. In addition, the agency does not have an inventory system to track forms and/or significant supply stocks in the agency warehouse. To consolidate inventory systems and improve forms handling, a team will be formed to review current processes and automate the resulting processes.</p> |
| <b>LEAD DIVISION(S):</b>          | <p>Effort number one – Financial &amp; Employee Services</p> <p>Effort number two – Financial &amp; Employee Services</p> <p>Effort number three – Financial &amp; Employee Services, Information Services, Taxpayer Services</p>  |
| <b>PARTICIPATING DIVISION(S):</b> | All Divisions  |
| <b>START DATE:</b>                | <p>Effort number one - July 2000</p> <p>Effort number two - January 2001</p> <p>Effort number three - January 2002</p>   |
| <b>FINISH DATE:</b>               | <p>Effort number one – June 2002</p> <p>Effort number two – December 2001</p> <p>Effort number three – December 2003</p>   |

# Seek Efficiencies and Improvements in Agency Programs

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|---------------------------------------|---|
| <b>STRATEGY:</b>                      | <i>Enhance organization efficiency through process improvements of existing systems.</i>  |
| <b>INITIATIVE:</b>                    | Real Estate Excise Tax  |
| <b>BACKGROUND:</b>                    | <p>The Real Estate Excise Tax (REET) reporting and collection process has not changed significantly since its inception in 1951. The tax is still reported and collected by the counties on a four-part paper form – the Real Estate Excise Tax Affidavit. The original copy of the form stays with the County Treasurer, and the three copies of the form go to the Department, the County Assessor, and the taxpayer. The Department receives approximately 300,000 sets of these forms annually, which are then used by different groups.</p>  |
| <b>SOLUTION:</b>                      | <p>The initiative involves two parts.</p> <p><b>Part one</b> – conduct a comprehensive study of possible upgrades to the Real Estate Excise Tax reporting/collection process. Areas to study include:</p> <ul style="list-style-type: none"><li>◆ Automating the Real Estate Excise Tax reporting process, including making the REET affidavit and ancillary forms available on the Internet as templates,</li><li>◆ Cross referencing tax exemption claims with statutory and administrative code text,</li><li>◆ Providing an Internet REET information site including Frequently Asked Questions, and special announcements normally mailed to the REET subscription list,</li><li>◆ Possible electronic filing and payment of the tax, and</li><li>◆ A database of affidavit information.</li></ul> <p><b>Part two</b> – implement study recommendations.</p> |
| <b>LEAD<br/>DIVISION(S):</b>          | Special Programs  |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Special Programs, Property Tax, Information Services  |
| <b>START DATE:</b>                    | Study – July 2000<br>Implementation – July 2001   |
| <b>FINISH DATE:</b>                   | Study – June 2001<br>Implementation – July 2005   |



## Seek Efficiencies and Improvements in Agency Programs

|                                       |  |
|---------------------------------------|--|
| <b>STRATEGY:</b>                      | <i>Enhance organization efficiency through process improvements of existing systems.</i>   |
| <b>INITIATIVE:</b>                    | Taxpayer Accounts Receivable Integrated System   |
| <b>BACKGROUND:</b>                    | Major tax systems within the Department are not fully integrated. Miscellaneous taxes such as Use Tax, Leasehold, Fish, Cigarette, etc. need to be integrated where appropriate into the major systems. The Department needs to provide faster, more accurate processing for the agency goal of providing key information within 48 hours of receipt. Internal controls, data integrity, and security between the major tax accounting systems also need to be improved. Full integration would also save staff time currently spent entering information into more than one system. |
| <b>SOLUTION:</b>                      | Complete the integration between major tax systems which include the Excise Tax System, Credit Management System, Taxpayer Accounts Receivable Integrated System, and the Business Registration System. The integration will include any of the miscellaneous taxes as appropriate and also may provide an informational account level status and balance for each taxpayer that will bring together the Department's receivables and payables.  |
| <b>LEAD<br/>DIVISION(S):</b>          | Taxpayer Account Administration  |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Taxpayer Account Administration, Information Services, Financial and Employee Services, Special Programs   |
| <b>START DATE:</b>                    | In-progress  |
| <b>FINISH DATE:</b>                   | June 2001  |

# Seek Efficiencies and Improvements in Agency Programs

|                                       |   |
|---------------------------------------|---|
| <b>STRATEGY:</b>                      | <i>Accelerate development of business applications by standardizing technology products.</i>  |
| <b>INITIATIVE:</b>                    | Forest Tax Technology Enhancement   |
| <b>BACKGROUND:</b>                    | <p>The Forest Tax System was developed in 1972 on the IBM computer platform. Currently, it supports the tax reporting of three different return types, distribution of funds to the state and counties, delinquency management, and Forest Practice and Public Contract registration. The primary input to the system is through batch keying on an antiquated data entry system.</p> <p>The major processes are batch oriented and still reside on the IBM mainframe of the Department of Information Services. This requires offloads of the data to the agency's Tandem system to interface with other agency systems for receivables, audit, and account management functions. Limited online activity is also supported on the Tandem. Data residing on the Tandem must be transferred back to update the IBM.</p> <p>The ability to respond to significant legislative mandates or system enhancements is limited by a complicated file structure on the IBM. The need to keep a system functioning on two computer platforms (IBM and Tandem) is resource intensive.</p> |
| <b>SOLUTION:</b>                      | Reengineer the Forest Tax system to give the users online and interactive harvest permit registration, tax return processing, delinquency management and distribution capabilities. The new system should be easier to navigate and integrate whenever possible with other business functions. Data entry technology also needs to be upgraded and integrated with other processes. And, the ability to provide Internet/Intranet interplay and/or other graphical screen interfaces needs to be studied and recommendations made.  |
| <b>LEAD<br/>DIVISION(S):</b>          | Special Programs  |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Special Programs, Information Services  |
| <b>START DATE:</b>                    | July 2000   |
| <b>FINISH DATE:</b>                   | June 2003   |

# Seek Efficiencies and Improvements in Agency Programs

|                                       |   |
|---------------------------------------|---|
| <b>STRATEGY:</b>                      | <i>Accelerate development of business applications by standardizing technology products.</i>  |
| <b>INITIATIVE:</b>                    | Oracle Database Applications  |
| <b>SOLUTION:</b>                      | <p>Supporting Oracle Database applications has become a significant support, retention, training and skill set issue for the Information Services Division. This applies to programming support and Network Services staff that must maintain and support multiple platforms. The agency is using Oracle applications in several significant program areas.</p> <p>Most of the applications use older versions of software and utilize 16 bit technology. The current standard development tool set in the agency is Microsoft programming languages and Microsoft-SQL Server database, with 32 bit technology. The difficulty of supporting these applications that employ different technology (such as Novell vs. NT; 16 bit vs. 32 bit; plus different versions of software) is increasing.</p> |
| <b>SOLUTION:</b>                      | Reengineer the agency's Oracle-based applications into Visual Basic Client/ SQL Server database technology. The goal would be to minimize the number of technology environments and versions supported, allow for standardized future enhancements of Internet/Intranet technology, and to more effectively use Information Service staff by minimizing the number of skill sets required to maintain production systems.   |
| <b>LEAD<br/>DIVISION(S):</b>          | Information Services  |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Information Services, Financial and Employee Services, Research, Property Tax, Appeals, Audit; Legislation and Policy, Executive, Attorneys General   |
| <b>START DATE:</b>                    | July 2000   |
| <b>FINISH DATE:</b>                   | June 2003   |

# Seek Efficiencies and Improvements in Agency Programs

|                                       |   |
|---------------------------------------|---|
| <b>STRATEGY:</b>                      | <i>Accelerate development of business applications by standardizing technology products.</i>  |
| <b>INITIATIVE:</b>                    | Unclaimed Property Technology Study   |
| <b>BACKGROUND:</b>                    | <p>The Unclaimed Property System and databases were designed over 15 years ago and are now antiquated and out-of-date. New requirements for intensive database access, system navigation, uploads from other systems, and downloads to other formats have created the need to restructure the database and reengineer the systems.</p> <p>Examples of new functions that have been developed for the administration of Unclaimed Property include:</p> <ul style="list-style-type: none"><li>(1) Public inquiry on the Internet.</li><li>(2) Disk and Tape Reporting options for reporting businesses and other states.</li><li>(3) Combined reporting and remitting processes with one due date for all reporters.</li></ul> <p>Reengineering of the system would enhance these and other functions such as the ability to select, download, and research certain groups of data to simplify the work of the Unclaimed Property Section.</p> |
| <b>SOLUTION:</b>                      | <p><b>Phase one</b> - Conduct a feasibility study to identify the costs/benefits of reengineering the system and to make recommendations.</p> <p><b>Phase two</b> – Implement the recommendations of the study.</p>   |
| <b>LEAD<br/>DIVISION(S):</b>          | Special Programs  |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Special Programs, Information Services  |
| <b>START DATE:</b>                    | Study – July 2000<br>Implementation – January 2001  |
| <b>FINISH DATE:</b>                   | Study – January 2001<br>Implementation – December 2002  |

# Seek Efficiencies and Improvements in Agency Programs

|                                       |   |
|---------------------------------------|---|
| <b>STRATEGY:</b>                      | <i>Optimize the Department's ability to conduct business effectively through continued investment in technology infrastructure.</i>   |
| <b>INITIATIVE:</b>                    | Remote Access Enhancement   |
| <b>BACKGROUND:</b>                    | <p>Department employees are taking advantage of flex place opportunities. Many agency staff are required to be away from their office workstations while conducting their work. Examples include: Field Auditors, Property Tax Appraisers, Property Tax Auditors, and Foresters. In addition, these employees rely heavily on data contained within Department information systems, and need to have quick access to maintain productivity.</p> <p>Agency auditors currently have modems in their laptop computers, as do many of the laptop computers used by other agency staff. This enables these employees to access some systems while away from their assigned office. However, increased access to all of the agency computer systems would improve employees' ability to efficiently perform their jobs.</p> |
| <b>INITIATIVE:</b>                    | Expand the agency's investment in remote access hardware, software, and communications equipment to allow more widespread and reliable access to agency computer systems.   |
| <b>LEAD<br/>DIVISION(S):</b>          | Information Services  |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Information Services  |
| <b>START DATE:</b>                    | In-progress   |
| <b>FINISH DATE:</b>                   | Ongoing   |



## Promote Fairness, Consistency, and Uniformity in the Development and Application of Tax Law and Policy

|                                   |   |
|-----------------------------------|---|
| <b>STRATEGY:</b>                  | <i>Increase the ability to provide consistent tax information and tax policy interpretation to customers and employees.</i>   |
| <b>INITIATIVE:</b>                | Interim Audit Guidelines  |
| <b>BACKGROUND:</b>                | The tax environment is dynamic and changes with each legislative session. A major role of the Department is to inform taxpayers of changes and ensure that taxpayers pay their full amount of tax liability – no more and no less. One of the divisions that works individually with taxpayers to ensure correct payment is the Audit Division. Sometimes the auditor’s job is very difficult as it relates to application of tax law due to the limitations of current oral or written instructions. |
| <b>SOLUTION:</b>                  | The Audit Division plans to implement a process where written guidance will be sent to Audit and other Department staff to provide consistent interim tax application guidance. This guidance would be in effect while the agency is in the process of formalizing tax policy positions. The guidelines are intended to be short term in nature and will be rescinded in writing when a published agency position is developed.   |
| <b>LEAD DIVISION(S):</b>          | Audit   |
| <b>PARTICIPATING DIVISION(S):</b> | Audit, Legislation and Policy   |
| <b>START DATE:</b>                | July 2000   |
| <b>FINISH DATE:</b>               | Ongoing   |

## Promote Fairness, Consistency, and Uniformity in the Development and Application of Tax Law and Policy

|                                   |  |
|-----------------------------------|--|
| <b>STRATEGY:</b>                  | <i>Improve communication between divisions regarding interactions with taxpayers.</i>  |
| <b>INITIATIVE:</b>                | Centralized Notepad System   |
| <b>BACKGROUND:</b>                | Currently, each major excise tax computer system has its own notepad that is not accessible from other systems. When more than one division is dealing with a taxpayer and they do not have access to information or may be unaware of other division contacts, it can result in inconsistencies in tax treatment. In 1996, a quality team designed to improve agency communications recommended the creation of a centralized notepad.  |
| <b>SOLUTION:</b>                  | Create a fully functional notepad system to provide a taxpayer's complete account history including all correspondence, reporting instructions issued, account adjustment records, audit information, and appeal records. This information will be available to users of any of the Department's major systems. Major systems include Excise Tax, Outstanding Return and Automated Compliance System, Taxpayer Accounts Receivable Integrated System, Credit Management System, and the Business Registration Management System. |
| <b>LEAD DIVISION(S):</b>          | Taxpayer Account Administration, Compliance  |
| <b>PARTICIPATING DIVISION(S):</b> | Taxpayer Account Administration, Compliance, Appeals, Audit, Information Services, Legislation and Policy, Special Programs, Taxpayer Services   |
| <b>START DATE:</b>                | July 2000  |
| <b>FINISH DATE:</b>               | June 2001  |



## Promote Fairness, Consistency, and Uniformity in the Development and Application of Tax Law and Policy

|                                       |  |
|---------------------------------------|--|
| <b>STRATEGY:</b>                      | <i>Improve communication between divisions regarding interactions with taxpayers.</i>  |
| <b>INITIATIVE:</b>                    | Tax Discovery Case Tracking System   |
| <b>BACKGROUND:</b>                    | Currently, there are no links between divisions to track tax discovery taxpayer contacts on a statewide basis. Tax discovery case records maintained on a system by Compliance need to be expanded to include cases and contacts made by Taxpayer Account Administration, Audit, and the Special Programs Divisions. Further, there is no ability to link, view, coordinate, or pass information between agency systems with the current or improved case management system. Such a link will reduce the risk of multiple contacts with taxpayers and will eliminate duplication of effort when establishing a case and making the assessment. |
| <b>SOLUTION:</b>                      | Improve efficiency, eliminate duplication of effort, improve accountability, and simplify and streamline tax discovery taxpayer cases by integrating current agency systems to make available statewide the ability to manage tax discovery cases.   |
| <b>LEAD<br/>DIVISION(S):</b>          | Compliance   |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Compliance, Audit, Taxpayer Account Administration, Information Services, Special Programs   |
| <b>START DATE:</b>                    | July 2000  |
| <b>FINISH DATE:</b>                   | June 2001  |

# Promote Fairness, Consistency, and Uniformity in the Development and Application of Tax Law and Policy

|                                   |  |
|-----------------------------------|--|
| <b>STRATEGY:</b>                  | <i>Enhance compliance to, and uniform application of, property tax laws and administration by monitoring and assisting counties.</i>   |
| <b>INITIATIVE:</b>                | County Assessment Performance Program  |
| <b>BACKGROUND:</b>                | <p>There are currently differences in assessors' administration of property tax law. These differences range from inability to administer correctly because of resource limitations or lack of understanding of the laws, to actual non-compliance. In the areas of administration, there are inconsistencies in compliance to current use applications, classifications of property, valuation of property, and meeting statutory timelines. Given that a primary goal and responsibility of the Department is to ensure uniform and correct application of property tax law statewide, it is necessary to review and monitor the general level of performance in each county. To date, the Department's role in this area has been minimal.</p> <p>There is a need to hold counties accountable for suitable levels of legal compliance to property tax laws. Without a perception of appropriate administration, the integrity of this source of tax revenue is seriously undermined. Also, political issues and discontent continue to increase as the conflict escalates between the need for funding assessors' mandates, and the public and administration's need for assurance that the money is necessary and is being spent wisely. The demand for the Department to expand its role as a mediator/facilitator and consultant will continue to increase as a result. Our ability to respond to this need is currently extremely limited.</p> |
| <b>SOLUTION:</b>                  | Create an organized and systematic review process that can be used in county administration offices. This audit program would review processes and provide feedback with the goal of improving compliance, improving timeliness, and creating efficiencies and uniformity statewide. Findings would be generated on an increasing scale, ranging from verbal to more formal correspondence and action if non-compliance continued.   |
| <b>LEAD DIVISION(S):</b>          | Property Tax   |
| <b>PARTICIPATING DIVISION(S):</b> | Property Tax   |
| <b>START DATE:</b>                | July 2000  |
| <b>FINISH DATE:</b>               | On-going   |

# Promote Fairness, Consistency, and Uniformity in the Development and Application of Tax Law and Policy

|                                   |  |
|-----------------------------------|--|
| <b>STRATEGY:</b>                  | <i>Actively participate in national and regional efforts to streamline and increase the consistency of state and local taxes.</i>  |
| <b>INITIATIVE:</b>                | National Sales Tax Simplification Efforts  |
| <b>BACKGROUND:</b>                | <p>State sales tax issues are of increasing national concern and debate. To preserve the sales tax/use tax as a viable revenue source in the 21st century, states will face increasing pressure to simplify and streamline the administration of these taxes. Consequently, there is growing need for the Department to represent Washington State's interests in national associations and projects. This is evidenced by the Governor's participation in the Advisory Commission on Electronic Commerce and the Department's participation on committees sponsored by the National Governor's Association and National Conference of State Legislatures. Other informal government/business committees also seek the Department's participation.</p> |
| <b>SOLUTION:</b>                  | <p>The Department will continue participating in those efforts seeking solutions that have the ultimate goal of simplifying and streamlining the manner in which vendors collect, report, and pay sales and use tax. The broader elements of simplification include, but are not limited to the following:</p> <ul style="list-style-type: none"><li>◆ Uniform definitions;</li><li>◆ Uniform administration of exemptions;</li><li>◆ Uniform tax bases;</li><li>◆ Uniform sourcing rules;</li><li>◆ Uniform audit procedures; and</li><li>◆ Centralized, one-stop national registration.</li></ul>  |
| <b>LEAD DIVISION(S):</b>          | Taxpayer Services  |
| <b>PARTICIPATING DIVISION(S):</b> | Taxpayer Services, Executive, Legislation and Policy, Audit, Taxpayer Account Administration   |
| <b>START DATE:</b>                | In-progress  |
| <b>FINISH DATE:</b>               | On-going   |

# Promote Fairness, Consistency, and Uniformity in the Development and Application of Tax Law and Policy

**STRATEGY:** *Assist in tax policy decision making.*

**INITIATIVE:** Final Tax Incidence Model

**BACKGROUND:** Tax equity is becoming an increasingly important issue for policy makers. While initial tax incidence is many times clear, the question of who ultimately pays taxes is more difficult to answer. This is because business taxes are shifted to consumers, employees, or capital holders.

Other states, including Minnesota, Oregon and California model ultimate tax incidence for existing and proposed tax policy. In the Washington State 1999 legislative session, a bill was introduced to have the Department estimate tax incidence for all significantly large tax bills. Although the bill did not pass, it indicates an interest by the legislature in this type of analysis.

**SOLUTION:** Create and use a tax incidence model. To accomplish this goal the agency would:

- ◆ Work with other states that currently estimate tax incidence, and study the best way to estimate initial and final tax incidence.
- ◆ Build initial and final tax incidence models.
- ◆ Use the models to estimate tax incidence for the current tax system.
- ◆ Use the model to estimate tax incidence for tax proposals when policy makers are interested in this analysis.
- ◆ Use the model for special studies when appropriate.

**LEAD  
DIVISION(S):** Research

**PARTICIPATING  
DIVISION(S):** Research

**START DATE:** July 2000  
**FINISH DATE:** June 2001

# Promote Fairness, Consistency, and Uniformity in the Development and Application of Tax Law and Policy

**STRATEGY:** *Assist in the development of tax and regulatory policies that make Washington a more attractive location for new, existing, and homegrown businesses.*

**INITIATIVE:** Business Income Apportionment Policy Review

**BACKGROUND:** The state is fast approaching a crossroads where it must make decisions about how to apportion business income for tax purposes. Current methods are, for the most part, out of sync with how business income is handled in other states. Apportionment of service income is in particularly strong need of study and action. Generally, the current cost-based approach to allocate business income on service businesses penalizes Washington companies because most of their costs are here in the state. A review also needs to be made to determine whether the apportionment approach, or lack of one, in other business sectors makes tax policy sense for our current state economy.

**SOLUTION:** A comprehensive review of apportionment issues will take years, and actions on policy changes will be dependent upon stakeholder and policy maker reaction, and more specifically upon legislative agreement. Therefore, this plan emphasizes shorter-term deliverables that are independent of legislative action.

## **Initial Recommendations for Deliverables are:**

- ◆ An apportionment primer or handbook that provides essential background and a preliminary discussion of alternatives to present treatment.
- ◆ A legal research plan providing a listing of, and preliminary time line for, researching the legal issues that need to be explored in developing policy options.
- ◆ A preliminary overall work plan, including stakeholder management, for a comprehensive apportionment effort.
- ◆ Recommendations for legislative action in 2001, which will likely include proposals for handling apportionment in one or two key industries (e.g., broadcasting).

Additional deliverables should be discussed and potentially incorporated into this plan once the reception to these deliverables is evaluated.

**LEAD  
DIVISION(S):** Legislation and Policy

**PARTICIPATING  
DIVISION(S):** Legislation and Policy, Appeals, Attorneys General, Audit, Research, Taxpayer Services

**START DATE:** June 2000

**FINISH DATE:** July 2005

# Promote Fairness, Consistency, and Uniformity in the Development and Application of Tax Law and Policy

**STRATEGY:** *Assist in the development of tax and regulatory policies that make Washington a more attractive location for new, existing, and homegrown businesses.*

**INITIATIVE:** Washington's Economic Vitality Study

**BACKGROUND:** The Governor's Joint Economic Vitality Cabinet is taking a project approach to improving Washington's economic vitality. Projects initiated by other agencies have to do with developing telecommunications infrastructure, nurturing high technology clusters, skills gap training and pre-permitting to make sites "development ready."

The Department is proposing a working group of economists and policy staffs from state agencies gather to determine factors affecting business growth and survival based on existing literature.

**SOLUTION:** The Department will coordinate a working group including representatives from the Office of Financial Management, Community Trade and Economic Development, Employment Security Department, Labor and Industries, and Department of Revenue. The group will identify benchmarks from published studies that measure Washington's strengths and weaknesses relative to factors affecting business growth and survival. Based on this analysis, they will develop and implement a tax and regulatory reform initiative that addresses identified weaknesses.

The project has two phases:

- ◆ Phase one is to determine the factors influencing business growth and survival based on studies from existing literature. The presumption is that direct tax breaks to industry are not the only means by which government can help businesses grow and survive. The group proposes to benchmark the state's performance relative to other states and past performance to determine factors where Washington State is weak.
- ◆ Phase two is to develop a strategy or reform initiative to bolster tax and regulatory policy for factors discovered in the analysis. Depending on the value of the work to the Joint Economic Vitality Cabinet, the study could form the structural framework for an economic development policy to be used in the upcoming legislative sessions.

## LEAD

**DIVISION(S):** Research, Legislation and Policy

## PARTICIPATING

**DIVISION(S):** Research, Legislation and Policy

**START DATE:** In-progress

**FINISH DATE:** June 2001

# Build and Strengthen Relationships with our Customers

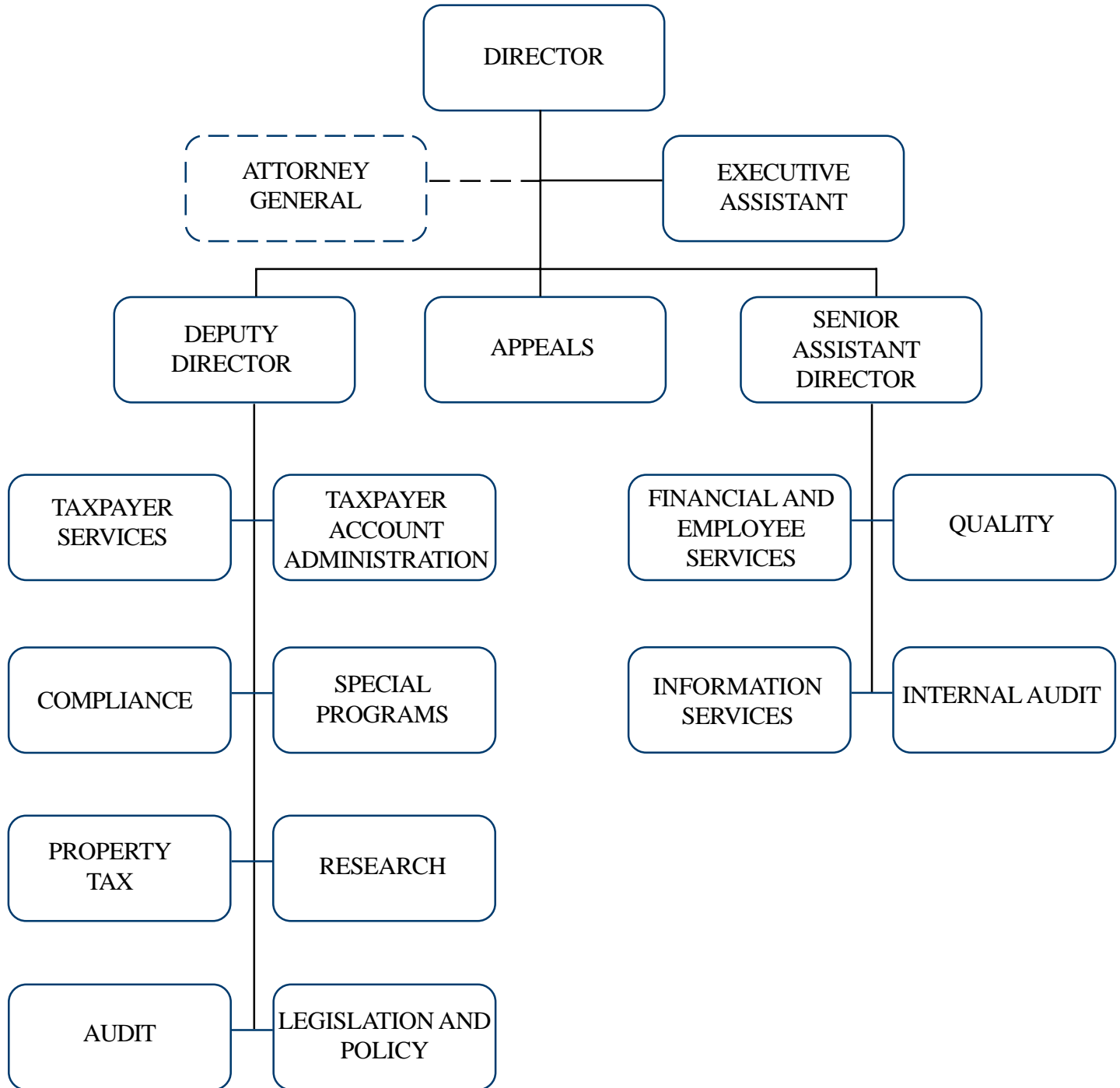
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|---------------------------------------|--|
| <b>STRATEGY:</b>                      | <i>Timely resolve taxpayer issues resulting from Departmental actions.</i>   |
| <b>INITIATIVE:</b>                    | Appeals Timeline Reduction Pilot   |
| <b>BACKGROUND:</b>                    | <p>The Appeals Division is responsible for hearing excise tax appeals and making written decisions on the issues. Currently, the division is committed to resolving both mainstream and executive level tax appeals in one year. In recent years, however, the division's customers, both external and internal, have voiced frustration over the length of time it takes to resolve these appeals. In particular, taxpayers have expressed a strong desire for a faster, more efficient appeals process that will deliver tax decisions and meaningful guidance. After examining its internal processes, the Appeals Division believes it can reduce the amount of time for resolving appeals without sacrificing the quality of its review of tax issues.</p> <p>Critical to the success of reducing the time for resolving tax appeals is the creation of a better system for receiving, storing, tracking and retrieving information related to taxpayer appeals. Documents coming from varied sources arrive at the division daily pertaining to the many open cases. Time sensitive documents are of particular concern such as, appeals to the Board of Tax Appeals, scheduling letters, and closing agreements. An intake and tracking system is necessary to ensure accountability to taxpayers and agency staff and to ensure appeals are resolved in a timely manner.</p> |
| <b>SOLUTION:</b>                      | <p>The Appeals Division will implement a Timeline Reduction Pilot project that will attempt, over an 18 month period, to reduce the time for resolving mainstream tax appeals to 6 months and reduce executive level and special mainstream tax appeals to 9 months. If the project is successful, the division will formally adopt the 6- and 9- month timelines. If the project yields results that suggest a more realistic timeline is longer than 6 and 9 months, but shorter than one year, the division will formally adopt that new timeline.</p> <p>As part of the project, an electronic document management process will be implemented. The system will store, track, and allow for immediate access to all documents associated with an appeal whether generated from within or outside of the agency.</p>  |
| <b>LEAD<br/>DIVISION(S):</b>          | Appeals  |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Appeals, Financial and Employee Services, Information Services   |
| <b>START DATE:</b>                    | Timeline Reduction Pilot - July 2000<br>Document Management System - July 2000   |
| <b>FINISH DATE:</b>                   | Timeline Reduction Pilot - January 2002<br>Document Management System- January 2001  |

# Build and Strengthen Relationships with our Customers

|                                       |   |
|---------------------------------------|---|
| <b>STRATEGY:</b>                      | <i>Increase customer satisfaction by improving the timeliness and accuracy of tax information.</i>  |
| <b>INITIATIVE:</b>                    | Local Sales and Use Tax Distribution System   |
| <b>BACKGROUND:</b>                    | <p>The current local tax accumulation and distribution system was written in 1970 when local option taxes were first authorized. This distribution system is old, difficult to maintain and unstable. It requires a great deal of manual support to complete each month's distribution before funds can be released to local jurisdictions. Reports from one system must be re-keyed into PC databases to be validated or researched before distribution occurs. Requests for ad hoc reports and local tax changes require programming of one or more systems. Local tax administration has grown significantly since 1970 and today distributes more than \$1.2 billion each fiscal year to more than 340 taxing jurisdictions.</p> <p>A team was formed in September of 1999 to conduct a thorough analysis of the current system. This review resulted in a requirements document for implementing a new system.</p> |
| <b>SOLUTION:</b>                      | <p>Implement a local tax distribution system based on the requirements set forth from the analysis. Goals of the new system include:</p> <ul style="list-style-type: none"><li>◆ Reduce the number of job streams and programs (approximately 26 jobs and 102 programs) required to accumulate and distribute taxes to local jurisdictions;</li><li>◆ Locate tax rate tables on a single operating platform;</li><li>◆ Automatically load distribution totals to PC/LAN databases;</li><li>◆ Create reports as needed for tax jurisdictions and the Department;</li><li>◆ The ability to easily handle new local taxes enacted by the Legislature; and</li><li>◆ Design, development, and testing of a prototype to identify local sales tax errors and a new electronic format to deliver local sales tax data to the local jurisdictions.</li></ul>   |
| <b>LEAD<br/>DIVISION(S):</b>          | Taxpayer Account Administration   |
| <b>PARTICIPATING<br/>DIVISION(S):</b> | Taxpayer Account Administration, Information Services, Research, Compliance, Audit, Special Programs, Financial & Employee Services   |
| <b>START DATE:</b>                    | In-progress   |
| <b>FINISH DATE:</b>                   | June 2003   |



# Department Of Revenue Organization



# Division Descriptions

## APPEALS

The Appeals Division employs Administrative Law Judges who hear taxpayer appeals; issue written determinations; render formal and informal tax law interpretations; and mediate and negotiate settlement of tax disputes executing settlement closing agreements when appropriate. The division's staff also represent the Department in informal appeals before the State Board of Tax Appeals.

## AUDIT

Taxes administered by the Department depend primarily upon voluntary compliance by taxpayers. The Audit Division verifies taxpayer reporting accuracy for a wide variety of taxes. Auditors contact and work with taxpayers directly to: educate them about tax application; correct improper reporting; identify unregistered businesses; deter tax evasion; and promote voluntary compliance. Audit Division staff are located throughout the state and nation and are primary participants in multi-state audit activities.

## COMPLIANCE

The Compliance Division encourages voluntary compliance by educating and assisting taxpayers, collecting taxes owed, and deterring tax evasion. The Division staffs and operates 15 field offices as well as Out-of-State, Claims, and Central Collection Units. Revenue Agents collect delinquent tax accounts, assure uniform enforcement through direct contact with taxpayers and identify and recover unreported or underreported taxes. This division uses education and outreach efforts to register businesses and assist taxpayers to accurately report tax liability.

## EXECUTIVE

The Executive office of the Department provides overall guidance and direction to the organization. Responsibilities include setting the organizational vision, organizing the agency, and reviewing operations. The Director, Deputy Director and Senior Assistant Director ensure the Department meets its statutory obligations and administers its programs effectively. Executive management is responsible for establishing strategic direction and policies, and establishing appropriate plans to enable the Department to accomplish its Mission. The Executive office is also responsible for the Quality Improvement and Internal Audit functions. For legal issues, the Department is represented by the Office of the Attorney General.

### *Internal Audit*

Internal Audit is responsible for providing an independent review of agency operations. They ensure that financial systems and controls meet Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) standards. They also help ensure that the agency is in compliance with the Revised Code of Washington, Washington Administrative Code and the Office of Financial Management and Agency policy and procedures.

# Division Descriptions

## *Quality Improvement*

The Quality Improvement Coordinator is charged with planning, organizing and leading the agency's quality improvement efforts. Key responsibilities include: facilitating the Quality Council, providing on-going training opportunities in quality practices, assisting managers and staff in implementing quality activities, monitoring overall progress of quality efforts, and providing organizational development services to the agency. The coordinator interacts with agency employees to effectively integrate the duties of the position with all significant aspects of the agency.

## *Legal Services*

The Office of the Attorney General has assigned several Assistant Attorneys General as counsel to the agency to provide legal services. These services include providing legal advice on questions arising in the course of the agency's excise, unclaimed, and property tax administration duties, and representing the Department and the state in tax related litigation. The attorney's also are involved in the preparation of formal tax opinions of the Attorney General.

## **FINANCIAL AND EMPLOYEE SERVICES**

The Financial and Employee Services Division provides internal support to the other divisions within the agency. Support functions encompass financial management, cash management, employee services and office services. Financial and business management activities include financial analysis and reporting, payments to employees and vendors, payroll, general accounting, budgeting, planning, performance measurement, cash management, inventory, facilities management, purchasing, contracting, warehousing and mail service. Human resource support activities include recruitment and employment, classification and pay, personnel and labor relations, human resource development, training, employee safety, and programs for affirmative action and disability accommodation.

## **INFORMATION SERVICES**

The Information Services division manages the Department's statewide electronic infrastructure including the centralized mainframe computer service center, the Wide Area Network, Local Area Networks, and the developing Internet/Intranet environment. Information Services staff develop and modify tax system applications, ensure systems security, train Department staff on computer hardware and software, provide software and hardware support and repair, and handle telecommunications and computer infrastructure needs.

## **LEGISLATION AND POLICY**

Legislation and Policy coordinates the Department's legislative, rules, and technical and policy advice programs. In addition to providing the Legislature with accurate and timely information, the division concentrates its legislative efforts toward fairness, consistency and ease of administration.

# Division Descriptions

Division responsibilities include planning and monitoring the implementation of new or revised tax programs; providing cost impacts of proposed legislation; developing tax policy options; drafting tax-related legislation; issuing policy and/or interpretive statements; conducting special policy analyses to address specific industry, executive, or agency needs; drafting, adopting and amending administrative rules; and providing technical and policy advice to agency divisions, other state agencies, and local governments.

## **PROPERTY TAX**

The Property Tax Division oversees the administration of property taxation at state and local levels. Responsibilities include the development of rules, guidelines and documentation affecting the assessment and taxation of property. The division directly appraises the inter-county operating property of about 300 airline, railroad, power, gas, railroad car line and communication companies. Other responsibilities include: conducting county assessment ratio studies to set the state school levy and equalize the value of utilities to local taxing districts; providing appraisal assistance to counties; administering property tax exemptions or deferrals for nonprofit organizations and senior citizens; and oversight of county boards of equalization; and the setting of property tax levies and the revaluation programs for all counties.

## **RESEARCH**

The Research Division conducts analysis of present and proposed tax programs and serves in an advisory capacity to the executive and legislative branches of state government in the development of tax policy. The division compiles, analyzes and publishes data on tax collections; prepares revenue forecasts for non-general fund sources; and responds to a wide variety of requests from local government and the private sector for specialized tax data and analysis. The Research Division also conducts operations research projects for all divisions of the Department to help increase the efficiency and effectiveness of agency programs.

## **SPECIAL PROGRAMS**

The Special Programs Division, through its Forest Tax, Miscellaneous Tax and Unclaimed Property sections, administers several Department programs. These programs include: timber excise tax, the Log Export Enforcement program, cigarette tax, brokered natural gas tax, estate tax, enhanced food fish tax, oil response tax, real estate excise tax, leasehold excise tax, corporate transfer and vessel taxes, the escheat fund, various business tax credits and sales tax deferral programs, and the state's unclaimed property program.

## **TAXPAYER ACCOUNT ADMINISTRATION**

Taxpayer Account Administration is primarily responsible for taxpayer registration, records maintenance, tax return processing, file examination, billings, refunds, identification of delinquent accounts, proper allocation and distribution of state and local taxes, and the Unified Business Identifier program. This division coordinates the Department's Electronic Filing and Electronic Funds Transfer programs for the agency. Division staff also are responsible for maintaining all taxpayer records and serve as the agency records custodian.

## Division Descriptions

### **TAXPAYER SERVICES**

Taxpayer Services is responsible for the Department's public information and outreach programs, media relations, public relations and major aspects of employee communications for the agency. This division coordinates, prepares and prints most Department forms, produces or assists other divisions in the preparation and distribution of publications, and promotes voluntary compliance through services such as telephone assistance, technical assistance notices, and taxpayer workshops. They respond to many written taxpayer inquiries, providing binding tax application and reporting instructions. The legislatively mandated Taxpayer Advocate assists taxpayers with resolving issues and understanding their rights in working with the Department.

# Taxpayer Rights and Responsibilities

## THE TAXPAYERS OF THE STATE OF WASHINGTON HAVE THE

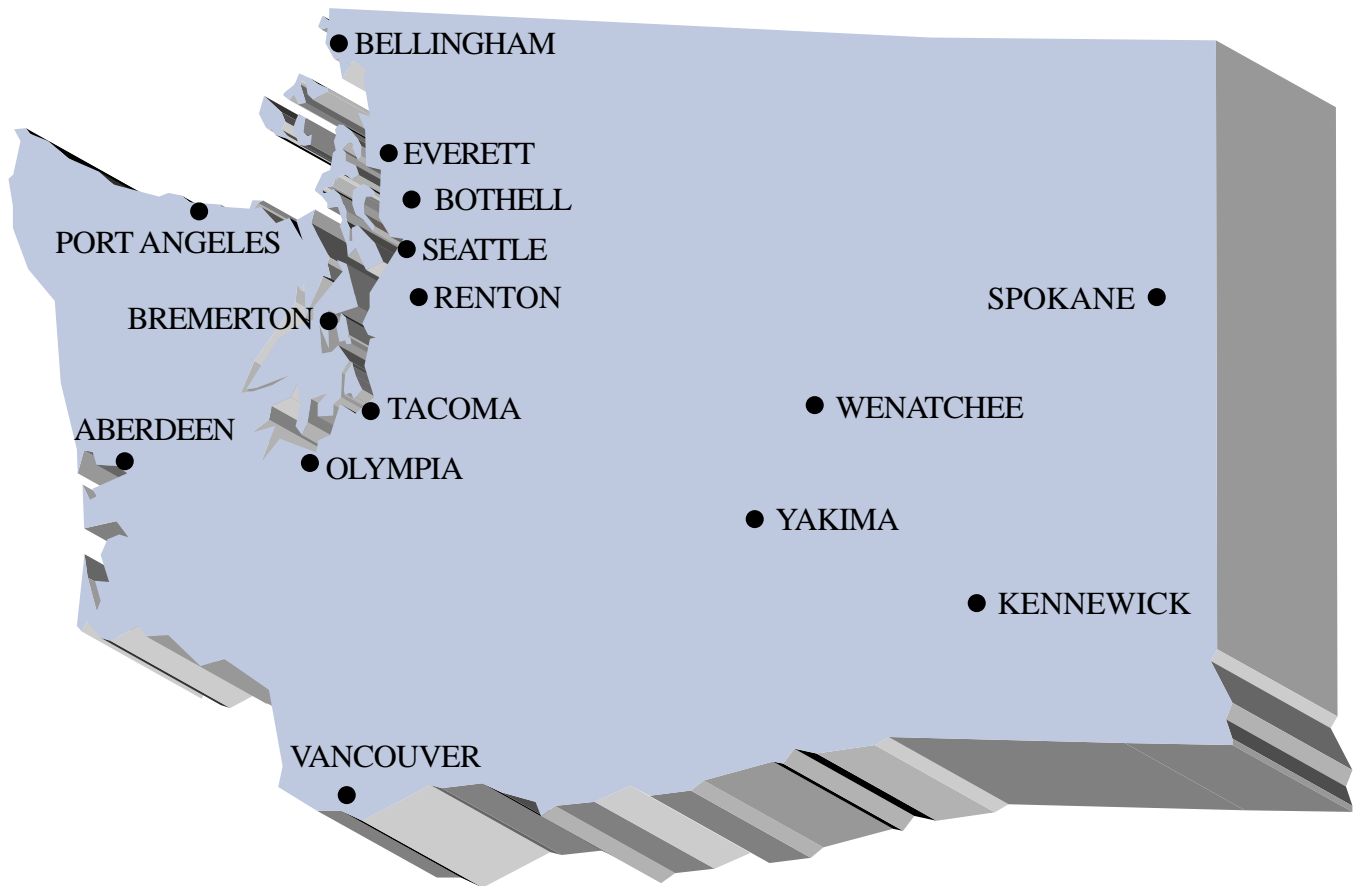
### RIGHT TO:

- ◆ Simple and prompt administrative process for tax refunds and credits.
- ◆ Timely, fair and equitable treatment with dignity and respect.
- ◆ Accurate written information on reporting instructions, appeal procedures, refund claims and reasons for assessment.
- ◆ Public hearings on proposed rules.
- ◆ Review and appeal of assessments, business registration revocation and adverse rulings.
- ◆ Remedies when statutes and rules are found to be unconstitutional.
- ◆ Confidentiality of financial and business information.

### RESPONSIBILITY TO:

- ◆ Register with the Department of Revenue.
- ◆ Know their tax reporting obligations and seek instructions when they are uncertain.
- ◆ Keep accurate records and complete business records.
- ◆ File returns and pay taxes in a timely manner.
- ◆ Ensure the accuracy of the information entered on their tax returns.
- ◆ Substantiate claims for refund.
- ◆ Notify the Department of Revenue and pay taxes promptly when closing a business.

# Field Offices



## **Aberdeen**

110 West Market Street  
(360) 533-9312

## **Bellingham**

1904 Humboldt Street  
Suite A  
(360) 676-2114

## **Bothell**

19800 North Creek  
Parkway, Suite 101

## **Bremerton**

4841 Auto Center Way  
Suite 201  
(360) 478-4961

## **Everett**

11627 Airport Road #B  
(425) 356-2911

## **Kennewick**

22 West Kennewick  
Avenue  
(509) 585-1501

## **Olympia**

2735 Harrison Ave NW  
Suite 440  
Target Place Complex  
(360) 753-3181

## **Port Angeles**

734 East First Street  
Suite B  
(360) 457-2564

## **Renton**

919 SW Grady Way  
Suite 150  
(425) 277-7300

## **Seattle**

2101 - 4th Avenue  
Suite 1400  
(206) 956-3002

## **Spokane**

4407 North Division  
Suite 300  
(509) 482-3800

## **Tacoma**

3315 South 23rd Street  
Suite 300  
(253) 593-2722

## **Vancouver**

8008 Northeast 4th Plain  
Boulevard  
Suite 320  
(360) 260-6176

## **Wenatchee**

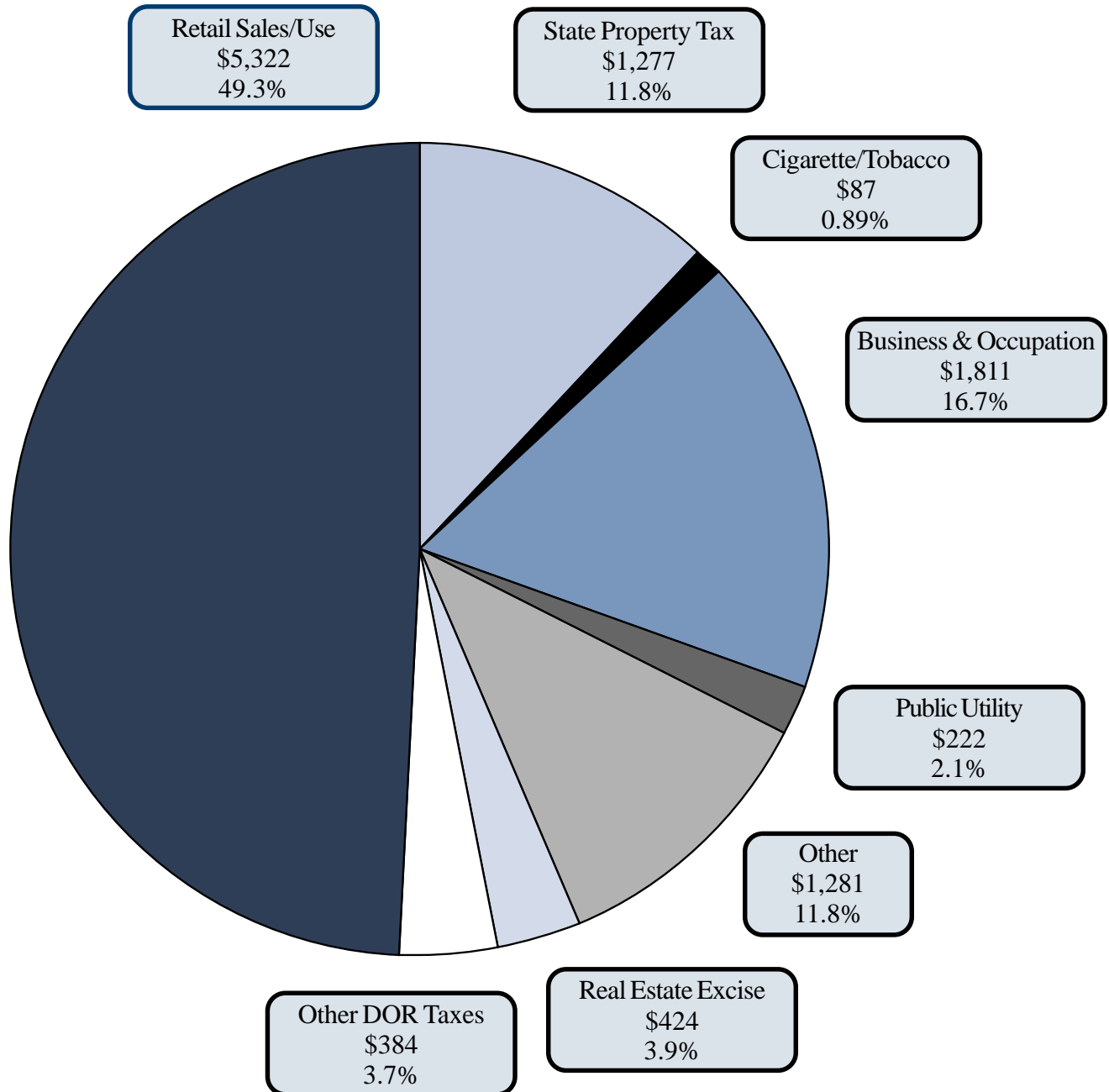
630 North Chelan  
Suite B-3  
(509) 663-9714

## **Yakima**

1714 South 16th Avenue  
(509) 575-2783

# Washington State General Fund Revenues

Fiscal Year 1999 - Dollars in Millions  
State Revenues\*



\*Excludes federal grants-in-aid, restricted funds and operating fund transfers.

Source: "1999 Comprehensive Annual Financial Report" (unpublished detail), Office of Financial Management. GAAP basis; the figures may not agree with other tables in Department of Revenue reports which generally reflect cash collections.



# Department of Revenue Collections

Fiscal Years 1998 and 1999 (in thousands)

| SOURCE                                  | FISCAL<br>1998      | FISCAL<br>1999      | PERCENT<br>CHANGE |
|---|---------------------|---------------------|-------------------|
| <b>STATE TAXES</b>                      |                     |                     |                   |
| <u>1935 Revenue Act Taxes</u>           |                     |                     |                   |
| Retail Sales and Use Tax                | \$4,989,670         | \$5,284,066         | 5.6%              |
| Business and Occupation                 | 1,853,815           | 1,827,459           | -1.4%             |
| Public Utility                          | 211,783             | 221,397             | 4.5%              |
| Cigarette                               | 258,870             | 255,050             | -1.5%             |
| Other                                   | 109,967             | 131,352             | 16.3%             |
| <b>TOTAL 1935 Revenue Act Taxes</b>     | <b>\$7,424,105</b>  | <b>\$7,719,324</b>  | <b>3.8%</b>       |
| <u>Property and In-Lieu Taxes</u>       |                     |                     |                   |
| State School Levy                       | \$1,229,431         | \$1,274,590         | 3.7%              |
| Timber Excise (state)                   | 22,706              | 18,833              | -17.1%            |
| PUD Privilege                           | 27,514              | 26,865              | -2.4%             |
| Leasehold Excise (state)                | 14,094              | 15,622              | 10.8%             |
| <b>TOTAL Property and In-Lieu Taxes</b> | <b>\$1,293,745</b>  | <b>\$1,335,910</b>  | <b>3.1%</b>       |
| <u>Other State Taxes</u>                |                     |                     |                   |
| Real Estate Excise Taxes                | \$382,213           | \$428,006           | 12.0%             |
| Excise                                  | 83,607              | 69,570              | -16.8%            |
| Hazardous Substance                     | 20,397              | 15,494              | -24.0%            |
| Other                                   | 189,803             | 204,505             | 4.2%              |
| <b>TOTAL Other State Taxes</b>          | <b>\$676,020</b>    | <b>\$717,575</b>    | <b>6.1%</b>       |
| <b>LOCAL TAX COLLECTIONS</b>            | <b>\$1,458,400</b>  | <b>\$1,609,799</b>  | <b>10.4%</b>      |
| <b>ADMINISTRATIVE COLLECTIONS</b>       | <b>\$19,295</b>     | <b>\$15,725</b>     | <b>-18.5%</b>     |
| <b>TOTAL DEPARTMENT<br/>COLLECTIONS</b> | <b>\$10,871,565</b> | <b>\$11,398,333</b> | <b>4.8%</b>       |

Source: Department of Revenue, GAAP collections for all sources except Timber Excise (state); the figures may not agree with other tables in Department of Revenue reports which generally reflect cash collections.